

## Abstract (EN)

*Dissertation Title: Private Labels: Exploring Non-insignia Brands - Sonae MC Case Study*

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In the last decade, the Portuguese grocery retail market has witnessed a shift in consumers' behavioural patterns. Mainly as consequence of the economic downturn that substantially diminished consumers' purchasing power, forcing them to adopt a more "value-conscious mindset", the percentage of private labels grew on consumers' shopping baskets.

However, even though private labels market penetration on utilitarian product categories is frankly positive, on categories with a higher level of product involvement consumers showed to be more reluctant to renounce the innovative, well-known and trustworthy NBs.

The present study aims to uncover consumers' behaviour towards private labels, the limitations posed to the growth of these products market share on categories with higher levels of product involvement, taking a close look into the strategy adopted by Sonae MC in order to overcome consumers' reluctance to purchase private labels in every product category.

Sonae MC, the leader of the Portuguese grocery retail market will help illustrate a perfectly segmented tiered private label branded under the insignia Continente. Additionally, it is described the development of the non-insignia branding strategy pursued by the company in an effort to persuade consumers to purchase retailer's own brands in categories with higher levels of associated purchase risk, providing a final overview of the results of this innovative private label branding approach in the Portuguese market.

Finally, a teaching note is also provided in an attempt to support in-class case discussion, by identifying the most relevant issues to be addressed.

**Keywords:** Consumer Behaviour, Private Labels, Branding Strategies, Non-insignia Branding, Sonae MC, Retailing

## Resumo (PT)

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Assistimos nos últimos anos, a uma mudança nos padrões de consumo dos Portugueses, nomeadamente na área objecto de estudo – o mercado de retalho alimentar. O excessivo endividamento do País e das famílias levou à adoção de políticas de austeridade que diminuíram significativamente o poder de compra da generalidade da população. Com menor rendimento disponível e também com um futuro mais incerto, as famílias adaptaram-se à realidade e adoptaram práticas de consumo mais responsáveis, procurando activamente as melhores propostas de valor e é assim, sem surpresa, que assistimos a um aumento muito significativo das marcas de distribuidor nos carrinhos de compra dos hipers e supermercados. Uma análise mais fina permite-nos contudo observar um comportamento diferenciado dos consumidores relativamente às várias categorias de produtos.

A adesão aos produtos utilitários de marca de distribuidor é francamente positiva mas, em categorias de produtos de “maior envolvimento emocional”, os consumidores mostram-se algo relutantes a renunciar ao consumo de marcas bem conhecidas e reconhecidas pela qualidade e inovação dos seus produtos.

A presente dissertação tem como objectivo analisar o comportamento dos consumidores portugueses relativamente às marcas de distribuição, as limitações ao crescimento destes produtos em categorias de “maior envolvimento emocional” e efectuar uma análise detalhada da estratégia adoptada pelo pela Sonae MC para diminuir a relutância dos consumidores em adquirir marcas de distribuição em todas as categorias de produtos.

O estudo da SONAE MC, líder do mercado português de retalho alimentar, ilustra uma marca de distribuidor perfeitamente segmentada em 3 níveis, sob a insignia *Continente*. Adicionalmente, descreve-se o desenvolvimento da estratégia de criação de novas marcas, não directamente associadas à marca *Continente*, com o objectivo de persuadir os consumidores a adquirir produtos da empresa, vendidos sob novas marcas, em categorias com maior “risco de compra” associado, e fornece-se um resumo dos resultados obtidos desta estratégia inovadora no mercado português.

Finalmente, foi elaborada uma *Teaching Note* identificando os principais temas de análise, com o objectivo de apoiar a discussão do caso em sala de aula.

**Palavras-chave:** Comportamento do consumidor, Marcas de Distribuição, Estratégias de *Branding*, Marcas sem insignia, Sonae MC, Retalho

## Acknowledgements

I would like to take this opportunity to thank to all of those who helped me throughout the completion of this thesis. First, I will address my acknowledgements to my advisor Professor Pedro Celeste for all his guidance and valuable inputs.

I would also like to express my gratitude to Dr. Patrícia Lagarinhos, Director of Brands and Concepts at Sonae MC, for her availability and kindness to provide me with valuable information that highly contributed to the development and findings of this final dissertation.

In addition, I want to address my sincere appreciation to Professor Rita Coelho do Vale, Dr. Cristina Olivella and Dr. Manuel Pina for their help, availability knowledge and advice that facilitated and improved my research.

Finally, I would like to thank my friends and family, especially my parents, for all the support given throughout the completion of this thesis

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## Chapter I: Introduction

Throughout the years, the retail industry has constantly adapted to market structure changes such as variations in the strategies, formats and number of market players while accompanying the customers' evolving needs, demands and expectations.

In the last few years, the Portuguese grocery retail market has witnessed a shift in consumers' behavioural patterns mainly rooted on the economic downturn that substantially diminished consumers' purchasing power, leaving them with tighter budgets.

Consumers found themselves in need to adopt a more "value-conscious mindset" and saw in private labels (PLs) a good alternative to national brands (NBs) that would help them ease their expenses. The Portuguese retailers boosted their PLs product assortment development and in the last 6 years, PLs had a huge penetration growth into the Portuguese households.

Sonae MC is one of the main players that opened the door to the Portuguese PL market growth. The company has grown throughout the years a huge and powerful PL product portfolio that encompasses both a segmented three-tiered PL and a group of specialized PLs targeting very specific consumer segments

By 2003, Sonae MC noticed that consumer behaviour towards some product categories was steadily unchanged even with consumers' familiarity with the retailer's large PL product portfolio. Thorough research on this matter showed that even though PL market penetration on utilitarian product categories was frankly positive, on categories with a higher level of product involvement there were some psychological barriers left to overcome.

The company's PL managers knew they had to tackle this issue. But how would they persuade consumers to buy PLs on product categories where they were less prone to do so?

This research aims to understand consumers' behaviour towards PLs and the limitations posed to the growth of these products market share on categories with higher levels of product involvement, taking a close look into Sonae MC's strategy to overcome consumers' reluctance to purchase PLs in every product category.

### Problem Statement

The main focus of this research is to study how can retailers overcome the fact that consumers' proneness to purchase PL products has steadily remained category specific.

This thesis analyses the strategy adopted by Sonae MC's to penetrate into high involvement purchase categories with their own brands, namely into personal care, wine, office supplies, luggage and travel accessories, home essentials and premium chocolates product categories.

## Research Questions

The ultimate goal of this research is to provide insights on consumers' behaviour towards PLs, the limitations posed to the growth of these products market share on categories with higher levels of product involvement and understand if companies can overcome consumers' psychological barriers that make them reluctant to purchase PLs in every category, by providing answers to the following posed questions:

1. What are the product categories where PLs cannot penetrate?
2. Are retailers able to build brands with no associations linked to them?
3. What is the consumer response to the retailer non-insignia branded products?
4. What should be the pricing strategy used on non-insignia branded products?

## Methodology

In order to get a better understanding of the topic and research matter, quantitative and qualitative information will be gathered from both primary and secondary data sources.

A market research will be conducted through a survey on consumer's awareness, acceptance and response towards private labels in general as well as the both insignia and non-insignia branded Continente's private labels. Moreover, to complete the primary data collection, interviews to Continente's PL managers will be made in addition to in-store observations. Secondary data from industry reports and data panels will also be used throughout the analysis.

## Chapter II: Literature Review

The purpose of this chapter is to provide a relevant theoretical contextualization of the topics covered by the thesis. The chapter is divided into three main sections, starting out with an overview of the retail market and the emergence of private labels, its definition, evolution, reasons to carry these products and consumers' perceptions on them. The second section provides a summary of the academic literature on private labels' marketing mix variables. Finally, the third section refers to private labels' branding strategies.

### 1. Retail Market and Private Labels

#### 1.1. Retail Industry and the Power Shift

Retail industry has come a long way since the typical 1800s and early 1900s independent specialty or single-product stores (KPMG, 2009). Forced to accompany customers' constantly evolving needs, demands and expectations, retailers have been transforming not only their store sizes and environments but also their product portfolio and assortment.

Although by the 1930s some chain retailers had introduced private labels (PLs) as one of their merchandising tools (Call, 1967), by then retailers were smaller than manufactures and consumers looked at national brands (NBs) as the trustworthy industry quality and innovation drivers (Amrouch et al., 2014). It was not until the 1970s that things began to change, as retailers became global players, consolidating and developing their national chains, as well as expanding them internationally (Kumar & Steenkamp, 2007).

New times were approaching as retailers grew internationally and expanded as well as improved their PL product portfolio, consolidating their role as NBs competitors rather than mere distributors of their products (Amrouch et al., 2014). This created a power shift that favoured retailers (Narasimhan & Wilcox, 1998), as PLs are close substitutes that steal NBs market share and decrease the incremental sales that NBs bring to the retailers, therefore reducing the leading NBs negotiation power (Morton & Zettelmeyer, 2004).

#### 1.2. Private Label

##### 1.2.1 Definition

One can name it private label, private brand, house brand, own brand, own label, store brand or even retailer brand (PLMA, 2014), but it is just a question of labelling as all of these terms refer to store-specific products whose distribution is limited to a single retailer (Narasimhan & Wilcox, 1998).

PL products can have their own brand names or be named under the retailers' branded name. According to Ailawaldi & Keller (2004), they "allow the retailer to differentiate its offering from competing retailers", giving them to some extent a monopoly, since other retailers do not offer this specific PL although they carry the same NBs on their stores. At extreme PLs can be considered potential "magnets"

that draw consumers into a specific retailer, as these products cannot be found elsewhere (Mullick-Kanwar, 2013)

### *1.2.2 Evolution*

Traditionally PLs were seen as the “poor cousins” of the NBs, the cheaper version of the “real thing” (Kumar & Steenkamp, 2007). This happened because PLs were at its beginning a bottom-range substitute of NB products (Szymanowski, 2013). Packaged in plain, not attractive generic-style boxes (Nielsen, 2011), PLs were positioned as the cheapest alternative in the market (Borrero, 2009).

After the initial strategy of looking cheap, PLs adopted a copycat strategy by replicating the products and packages designs of the leading NBs in an effort to look as close as possible to them (Richards, 2009). As Mariani (2009) points out, copying the look of NBs “opens the door to parity” and it is an economic and safe way to display the product on the shelf. At this point PL products emphasis was on price as retailers wanted to provide price-sensitive consumers a convenient, first-price alternative (GfK, 2009).

Even though this copycat strategy has its perks, by looking at NBs as references and copying their products rather than looking at consumers’ needs and product selection criteria, retailers ended up offering omnipresent cheaper options across categories which undermined the categories value (Dunne & Narasimhan, 1999; Mullick-Kanwar, 2013)

PLs have evolved from low quality-low price products to a value-added and segmented offer (Nunzi-Mihranian, 2009). Nowadays, buying PLs no longer carries a stigma (Quelch & Harding, 1996), instead it is increasingly seen as the “smart” choice: lower price at a NB comparable quality (Kumar & Steenkamp, 2007).

Kumar & Steenkamp (2007) describe today’s PL consumers as “(...) thoughtful shoppers, who compare NBs versus PLs, are not easily influenced by advertising, and take pride in their decision-making ability”, in contrast to the initial PL target of highly price-sensitive consumers. The same authors point that as the reason why currently one can find PL users in all socioeconomic strata and across pretty much all product categories.

It is also worth mentioning the importance that economic cycles had on the dissemination of PLs. Recessionary environments constrict consumer spending, encouraging them to look for comparable but yet more affordable alternatives to NB products (KPMG, 2009; Szymanowski, 2013). That is the fundamental reason why PL share increases during periods of recession, and decreases during economic expansion (Hoch & Banerji, 1993; Quelch & Harding, 1996; Kumar & Steenkamp, 2007).

However Kumar & Steenkamp (2007) state that these variations are asymmetric, as “the net increase in PL share in recessions is not completely compensated for by its net decline in expansionary times.” This happens because once consumers make the switch from NBs to PLs, they become familiar with the PL products (Szymanowski, 2013) and some of the PL share growth becomes “permanent” as a significant number of consumers stay loyal to the PL even when the economy recovers (Kumar & Steenkamp, 2007).

Additionally, consumer wider acceptance of PL instigated retailers to invest in product innovation, consumer research and marketing efforts that contributed to boost PL growth. This investment into building and developing their own brand enabled retailers to reach almost the same level of brand recognition and equity as leading NBs (Nielsen, 2011).

### *1.2.3 Reasons to carry Private Labels and its Limitations*

Throughout the literature some reasons for retailers to grow their PL product portfolio are presented, Ailawaldi et al. (2008) pinpoint three main ones: (1) the negotiation leverage PL products can convey to the retailer, (2) the higher retail margins provided by PL products to the retailer, and (3) the possibility to stimulate customer loyalty to the retailer.

The first motivation was already mentioned above as the retailers' negotiation bargaining advantage triggered by the existence of close substitutes to NBs products. Morton & Zettelmeyer (2004) state that the less substitutable a brand is, the better it can negotiate the supply terms with the retailer. Hence, with the introduction of PLs, the leading NB loses negotiation power as this power is directly linked with the value they can add to the retailer - the incremental sales that the NB brings to the retailer. Therefore, by having close substitutes, this "added value" decreases and conveys a bargaining advantage to the retailer that is able to obtain better wholesale prices from the NB (Narasimhan & Wilcox, 1998; Corstjens & Lal, 2000).

The second one, refers to the desire to escape from the thin margins that NBs products provide the retailer and redirect some customer demand from these products to PL products which offer the retailer an higher percentage gross margin (Steiner, 2004).

There is in fact some evidence on literature that sustains this retailers' motivation (Hoch & Banerji, 1993). Likewise, Ailawaldi & Harlam (2004) point out that percentage margins are significantly higher on PLs than on NBs, thus making the product category percentage margins increase with the PL share. However, this phenomenon not only varies across categories as it also does not holds up when one considers the currency margin contribution. PL products may earn higher percentage margins but they are sold at considerably lower prices (Ailawaldi & Harlam, 2004).

Therefore, before rushing to increase the PL product portfolio across categories solely based on the idea that they will get better margins out off the categories, retailers should take into consideration that they can indeed take advantage from the higher PL products percentage margins, however not before recognizing the categories where there is less competition from other retailers and where NBs are heavily advertised (Hoch & Banerji, 1993; Ailawaldi & Harlam, 2004). Based solely on margin-related motivations, these are the categories on which retailers should expand their PL assortment.

The third and last motivation concerns the relationship between retailer loyalty and PL use. Ailawaldi et al. (2008) state that "conventional wisdom supports that PL use can be associated with higher store loyalty" as PL are exclusive products that cannot be found in any other retailer. Also Kumar and Steenkamp (2007) point out a positive relation between PL use and store loyalty and go further by stating

that consumers are transferring loyalty from NBs to retailers and since PLs are exclusive of each retailer, they are important tools to take into consideration as drivers of store loyalty.

Corstjens & Lal (2000) however show that only high- and acceptable-quality PL products can be considered as influencers of consumer loyalty as they are the ones that stimulate PL repurchase and create store differentiation and consequently retailer switching-costs.

Nevertheless empirical evidence on this matter is contradictory. Although as previously mentioned there can be found in literature a positive correlation between PL purchase and retailer loyalty, evidence that customers may not differentiate between PLs from different retailers is also available (Ailawaldi et al. 2008). This would make it hard to correlate these two variables, as Szymanowski (2013) puts it “(...) at consumers’ eyes all PLs are roughly equal”, meaning that the consumer may be loyal to PL products in general but that does not make him loyal to PLs from a specific retailer (Ailawaldi et al. 2008).

The same authors reach to the conclusion that PL use has an inverted U-shaped effect on store loyalty, where low and heavy usage of PL products have no impact on retailer loyalty. What seems to happen is that consumers that are loyal to a retailer get familiar with its PL products and that increases their willingness to buy the retailer PL. However, this phenomena is limited by the fact that PL proneness is category specific (Ailawaldi & Keller, 2004) and therefore the effect reaches a ceiling as this consumers are not willing to buy PL on every product category (Ailawaldi et al. 2008).

Retailers face here another challenge, they have to be careful not to push too far their PL program, as their most loyal consumers are not willing to buy PL on each and every category and by seeing a clear PL dominant presence on the shelves they might feel that the store assortment is incomplete and that their choices are being constrained (Quelch & Harding, 1996; Ailawaldi et al. 2008),

#### *1.2.4 Consumer Perceptions*

It is reasonable to assume that in general, at equal prices, consumers would choose to purchase the NB in detriment of the PL (Narasimhan & Wilcox, 1998) as a consequence of the asymmetry in quality perception between the two (Hoch and Banerji 1993; Narasimhan & Wilcox, 1998). This asymmetry might be rooted on the lack of familiarity with PL products<sup>1</sup> and consequent emotional, social or psychological risk associated with the purchase of these products. Consumers as risk averse individuals, choose to acquire the product with less associated risk and therefore, the most advertised, well-known and/or expensive brand (Narasimhan & Wilcox, 1998).

Nevertheless the perceived risk is category specific and consequently so is the proneness to purchase PL products. Hence, utilitarian PL product categories perform better than hedonic ones (Ailawaldi & Keller, 2004).

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<sup>1</sup> According to Szymanowski (2013), purchase decisions in the Fast Moving Consumer Goods industry are highly

## 2. Private Labels' Marketing Mix Variables

### 2.1. Private Label Tiered-Assortment

Long gone are the days when PLs were merely a cheaper alternative to NBs. Today PLs are available from budget to premium tiers (Rotzler, 2009) creating a “3-step” strategy of good-better-best offerings (Bartikowski, 2009).

Hence, PLs can be found in three distinct categories, (1) generic PLs, (2) copycats and (3) premiums (Kumar and Steenkamp, 2007; Amrouch et al., 2014):

#### Generic

This category refers to the cheapest type of PLs and it targets the highly price-sensitive consumers (Amrouch et al., 2014). The main objectives of these products are to provide the consumer a low-price option and to expand the retailers' customer base. These products are priced 20% to 50% below the brand leader and are present in more basic and functional categories (Kumar and Steenkamp, 2007)<sup>2</sup>.

#### Copycats

The so-called me-too PLs. These products originate in categories where there is a strong NB leader and retailers feel the need to increase their negotiating power as well as their share of category products (Kumar and Steenkamp, 2007). Retailers offer a similar product that mimics the leader NB and targets the same consumer segments. Products are priced 5% to 25% below the brand leader and “(...) are positioned very close to NBs on the shelves” (Amrouch et al., 2014).

#### Premiums<sup>3</sup>

Finally, this category encompasses the added-value products. These products are the ones who truly differentiate the retailer. Their objective is to enhance the retailer PL margins and consumer loyalty. Priced very close or even exceeding the NB leader, these products can be found in “image-forming” categories (Kumar and Steenkamp, 2007; Amrouch et al., 2014). This tier is of special importance as it is designed to decrease the above-mentioned perceived quality-gap between PLs and NBs and eliminate price as the key driver of consumer behaviour towards PLs (PLMA, 2014).

### 2.2. In-store Placement

With a continuously increasing number of brands and products in the market, shelf space management plays a critical role on retailers' operations. In line with this, the available tools to better manage shelf space have undergone tremendous progress, from simple drawing diagrams to the most up-to-date electronic space management software programs (Nogales & Suarez, 2005).

As previously mentioned, power in the retail market has increasingly shifted from NBs to retailers. Regarding the competition between NBs and retailers' brands, shelf space management provides

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<sup>2</sup> An example of generic PLs is Great Value from Walmart.

<sup>3</sup> An example of premium PLs is President's Choice from Loblaw's.



retailers a great advantage over NBs (Steiner, 2004). According to the same author, retailers' power to decide the location and space provided to each product is in fact what clearly distinguishes competition among NBs from competition between NBs and PLs.

Hence, product placement is upon retailers' decision and PLs are guaranteed with the shelf placement that better fits their positioning. Steiner (2004) pointed out that PLs are usually placed at eye level and right next to the NB they directly competing with, facilitating consumer comparison between the two. Ailawaldi & Keller (2004) go further on this analysis and state that a mixed display should only be used if the PL provides the same or better quality than the NB at a lower price. Otherwise, separate placement is more effective if the retailer does not want to induce product comparison.

Additionally, the retailer knows that there is a relationship between the shelf space a product is given and the probability of consumer purchase. Increasing a product shelf space will consequently increase its visibility and the probability of being purchased. However, the strength of the relationship will depend upon the product category and at some point an increase of shelf space no longer generates more sales for the product, the effect reaches then a ceiling (Nogales & Suarez, 2005). Thus, PL shelf presence should be balanced.

### 2.3. Price

Price can be considered a market signal of product quality, regardless of the correlation strength between these two variables (Gerstner, 1985). In the grocery retail industry, more specifically in the retailer-NB competition, this became quite clear as evidence showed that cutting a PL price too far below the competing leading NB would induce in consumers hesitation as too great of a price discrepancy signals a large quality gap as well (Steiner, 2004).

According to Steiner (2004), Neil Borden in its 1942 empirical study, *The Economic Effects of Advertising*, stated that "PL competition (...) had forced down the price of the NBs" as in an effort to recapture market share, NBs see themselves forced to substantially reduce their prices.

Heavy price competition not only erodes the percentage margin that retailers get out of the PL as it weakens the value of the product category as a whole. Hence, when adding PLs to their product portfolio, retailers should not lose focus of their primordial goal of increasing their retail profitability. For that end it is better to compete on quality rather than on price (Ailawaldi & Harlam, 2004).

### 2.4. Advertising

One can find among the literature evidence of an inversely correlated relationship between NB brand expenditure and PL market share (Steiner, 2004). PLs are less likely to succeed in product categories with high level of NBs competition and where considerable NB advertising investment was made (Hoch & Banerji 1993).

The underlying reason for this matter is NBs' brand equity built over decades of advertising and consistent product quality delivery. NBs simplify customers' in-store selection process due to consumer familiarity and low perceived risk associated with their products purchase (Quelch & Harding, 1996).

According to Steiner (2004), PLs advertising efforts in major media are substantially lower than NBs ones, in almost every product category. The same author states that only after getting the return on the investment of developing and growing their PL program, retailers achieve the necessary scale economies to increase their PL advertising efforts.

It is also worth mentioning that even though retailers increase their PL advertising efforts and expenditures, its success for their own PL is not guaranteed as consumers tend to classify PLs of different retailers as part of a “PL brand” mental category (Szymanowski & Gijsbrechts, 2012), meaning that one retailers’ advertising investment positive impacts will be shared across all retailers that carry PLs (Szymanowski, 2013).

### 3. Branding Private Labels

Although both PLs and branding strategies have generated great interest among academic authors, little literature can be found linking the two (Erdem & Chang, 2011; Amrouche et al., 2014).

PL branding is an important matter for retailers and according to Ailawaldi & Keller (2004) the perceived risk associated with PL purchase is what turns PL branding as well as building PL brand equity a central retailers’ challenge.

In order to manage products and brands it is possible to follow different types of branding strategies (Rao et al., 2004). Ngobo (2011) suggests a distinction between own-name branding and other-name branding strategies concerning PLs.

#### 3.1. Private Label Own-name Branding

Own-name branding strategy refers to the use of the retailers’ name to brand PLs. This strategy might help the retailer to signal its products quality, as there is a transfer of the positive associations one has about the retailer to the retailers’ PL products (Ngobo, 2011). Other authors referred to this strategy as PL **umbrella branding**.

Erdem (1998) defined umbrella branding (UB) as the use of the same brand name across a multitude of products and stated that an UB strategy is especially relevant when launching new products as it decreases consumer uncertainty and consequently the perceived risk associated with the product purchase.

Later, Erdem & Chang (2011) studied the learning spillover effects of umbrella brands across categories for both NBs and PLs. The authors reached to the conclusion that there are no relevant differences between NBs and PLs in relation to cross-learning effects and therefore the findings of prior studies on the effects of UB in NBs can be extended to PLs.

Hence, branding a product under the retailer name will more likely evoke association with the retailer, enhancing its credibility and as previously stated, diminishing the risk associated with the purchase. However, pushing too far the UB products might induce in consumers a sense of retailers’ overemphasis on its PL as products can be found under the same brand in each and every category (Ngobo, 2011).

It is also worth mentioning that umbrella brands need to provide consumers' consistent experiences within and across product categories as consumers' negative brand experience with one product might be harmful for the brand as a whole (Erdem & Chang, 2011).

### 3.2. Private Label Other-name Branding

When retailers decide to use other-name branding strategy, a new brand that has no immediate associations with the retailer is created for the PL products (Ngobo, 2011).

The same author states that substantial PL consumers are more receptive to purchase PL products with other-name branding than small PL users. Substantial PL consumers more easily switch from the NBs they currently use to other-name PLs than to own-name PLs. This shows that not only these customers are not NB loyal but also own-name PL use has a threshold value, as consumers are not willing to buy own-name PL on every product category (Ailawaldi et al. 2008). In contrast, the impact of other-name PLs on small PL users may become negative, as they are loyal to the well know and trustworthy NBs. This means that these customers are more prone to switch to own-name PLs than to other-name PLs as they evaluate the latter as NBs they have no associations with (Ngobo, 2011).

Nevertheless, there are some situations when using distinct names to brand PLs is preferred to use own-name branding. Amrouch et al. (2014) states that a retailer that targets both generic and premium segments is advised to use different names for its PLs.

## Chapter III: Case Study

### 1. The Portuguese Grocery Retail Industry

#### 1.1. Evolution

Throughout the years, the retail industry had to constantly adapt to market structure changes such as variations in the strategies, formats and number of market players as well as evolution of consumer needs, perceptions and demands.

For the Portuguese grocery retail industry, the last 30 years were particularly relevant as new store concepts arrived the country - the hypermarkets, the discount stores and more recently the online stores, also named e-commerce.

The emergence of hypermarkets, with a dimension that enabled them to carry a large product assortment across and within categories in addition to their aggressive pricing strategy, was a corner stone on the Portuguese grocery retail market development.

Brought to Portugal by a partnership between Sonae, a Portuguese multi-business group, and Promodès, a French retail group, the first hypermarket was officially opened in Matosinhos, in 1985. The concept was a success. Interviewed by Público<sup>4</sup>, João de Melo, at the time the Continente's grocery section chief states, "at the first day of operations the store was invaded (...) we had to close as the shelves were empty".

Hypermarkets inflicted a huge change in the Portuguese customer shopping habits as customers started to value having a large place where they could park their cars and take their families to buy the entire household monthly supplies.

The marketplace had forever changed and by the end of the 90's, it was flooded with big retail players that replicated the hypermarket concept throughout the suburban areas of the biggest Portuguese cities. At the time, the grocery retail market was mainly divided amongst five big players – Carrefour, Feira Nova, Jumbo, Sonae MC<sup>5</sup> and Pingo Doce.

Another important landmark in the Portuguese grocery retail market was the discount stores growth. Although present in the market since 1979, when Minipreço opened its first store, it was not until around 1995, with the arrival of major international players such as Lidl, Aldi and Plus, that the concept became more popular among the Portuguese consumer. Discount stores emphasized the importance given to low prices and encouraged retailers to boost the development of their private labels.

Nowadays we witness a very dynamic market characterized by fierce competition, constant strive for innovation and plurality of store concepts, product assortments and price ranges.

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<sup>4</sup> Source: "Primeira Catedral do Consumo Nasceu Há 25 Anos em Terrenos da Igreja" in Público, 10/12/2010

<sup>5</sup> Sonae MC encompasses the supermarkets Modelo and the hypermarkets Continente

## 1.2. Consumer Behaviour

Consumer perceptions, needs, desires and expectations are constantly evolving. Regarding grocery shopping habits, the typical consumer has shifted from one or two monthly visits to an hypermarket where he would fill in the shopping-cart with supplies for two to four weeks, to more frequent, weekly visits to the nearest supermarkets.

This change in the consumer behaviour can in one hand be explained by the economic downturn that diminished consumers' purchasing power, leaving them with tighter budgets and less disposable income to spend in large-value shopping baskets, favouring more frequent small-value store visits. On the other hand, the scarcity of good quality-time, that makes a time consuming visit to the hypermarket costly in terms of consumption of one's personal time, might also explain this change in consumers' habits.

Nowadays, the typical Portuguese grocery retail consumer goes approximately every 4 days to a near supermarket where he buys 1 to 11 items. From the total number of purchase occasions, only 21% of the times, consumers purchase more than 12 items and normally when they do, they go to hypermarkets<sup>6</sup>. Hence, convenience and proximity have become important store decision factors.

However, this unplanned proximity purchasing behaviour trend is slowing down, and at the beginning of 2014, around 20% of the consumers preferred a planed and higher-value shopping basket in contrast with the 13% estimated at the beginning of 2013<sup>7</sup>.

As previously stated, consumer habits and preferences are not static. Today's purchasing trend may tomorrow be out-dated. Retailers have to bear this in mind, as their actions are huge influencers of consumer behaviour.

## 1.3. The Private Labels Rise

As previously mentioned, consumer behaviour has changed with the economic recession. With less disposable income, consumers found themselves forced to alter their consumption patterns and adopt a more "value-conscious mindset".

In the most hard-it economies, consumers saw in private labels (PLs) a good alternative to national brands (NBs), one that would help ease their expenses. In 2009, the Portuguese PL value share reached to 25% of the retail market, presenting an increase of almost 4pp relative to 2007<sup>8</sup> and in 2010, Portugal was listed as the top 4<sup>th</sup> country purchasing more PL products during the economic downturn (**Exhibit 1**).

Even though, currently, economies are starting to show signs of recovery, the latest PL value market share data shows that PL consumption levels are only slightly decreasing, not offsetting its huge previous increase. This can be explained by the fact that consumers after periods of downturn end up internalising their previous adaptive behaviours. In 2010, when asked whether they would continue to buy

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<sup>6</sup> Source: Nielsen Homescan 2013

<sup>7</sup> Source: Nielsen Homescan 2014

<sup>8</sup> Source: The Rise of the Value-Conscious Shopper | Nielsen Global Private Label Report, March 2011

PLs after the economic recession, Portuguese consumers answered “yes” with more than 95% certainty<sup>9</sup>. PL value market share data shows that the Portuguese consumer kept their word as in 2013 the PL value market share was 32,1%, showing only a slight decrease of 0,6pp relative to 2011<sup>10</sup>.

The truth is that PLs had a huge penetration growth into the Portuguese households, presenting an increase of its value share of almost 50% in only 6 years<sup>11</sup>.

Data is congruent with the Euromonitor International’s 2013 Global Consumer Trends survey that reports a consumers’ desire to decrease their expenses but unwillingness to sacrifice consumption, which means that their purchasing behaviour, mainly towards buying PLs, will not suffer many changes.

Portuguese retailers saw an opportunity and took it. Nowadays all the main players present a fair PL product assortment, some even with segmented offers through different PL lines. Challenging times are coming for the Portuguese discount retailers such as Lidl, Aldi and Minipreço that have been reporting market share losses in the past few years.

#### 1.4. The “Discounts Era”

As previously stated, the Portuguese consumer has adopted a “value-conscious mindset” where price plays a very important role. Currently the Portuguese grocery retail market has been subject of continuous price off actions. This trend was mainly prompted by the 50% flat discount action held on May 1<sup>st</sup> 2012 by Pingo Doce and since then, all the main market players have increased the level of price off actions with strong promotional support throughout the year, in an effort to attract more consumers.

In 2013, it was estimated that 27,4% of the total supermarkets and hypermarkets sales were made under discount campaigns, an increase of 4pp relative to 2012<sup>12</sup> (**Exhibit 2**) and that 62% of the consumers that purchase the products under a price discount do not repurchase the product unless it is on sale again<sup>13</sup>. The problem associated with this trend is that the consumer becomes addicted to discounts and changes his purchase behaviour, adopting an “opportunistic” purchasing pattern, only buying products when their price is off. In 2013, approximately 25% of consumers were willing to change from brand X to brand Y, influenced by the price cut of brand Y, showing a 5pp increase from the value estimated in 2009<sup>14</sup>.

This discount phenomenon is transversal to every item of a retailers’ product portfolio, even to its PL lines.

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<sup>9</sup> Source: The Nielsen Company, Global Online Survey, Q3 2010

<sup>10</sup> Source: Nielsen Scantrends, June 2013 & June 2014

<sup>11</sup> In 2007 the value market share of PLs was of 21,1% and in 2013 was of 32,4% | Source: Nielsen Global PL report 2011 & Nielsen Scantrends June 2014

<sup>12</sup> Source: Nielsen MarketTrack 2014 | hypermarkets + supermarkets data (excluding Lidl)

<sup>13</sup> Source: Nielsen Homescan 2014

<sup>14</sup> Source: Nielsen MarketTrack 2014

## 1.5. Main Players

Currently, the Portuguese grocery retail market is dominated by 6 main players that together hold roughly 77%<sup>15</sup> of the total market. In the past few years, the grocery retail market has been suffering a polarization, with the two leading retailers, Sonae MC and Pingo Doce, gaining overall market share and distancing themselves from the remaining players, Intermarché, Lidl, Minipreço and Jumbo.

### 1.5.1 Sonae MC and Jerónimo Martins Rivalry

Although more evident nowadays, this rivalry between Sonae MC and Jerónimo Martins is not a new trend. In fact it dates from the end of the 90's when hypermarkets flooded the grocery retail market and it became a more dynamic one. Sonae MC, with Continente and Modelo, and Jerónimo Martins, at the time with Pingo Doce and Feira Nova, started disputing the leadership of the grocery retail market.

With the economic downturn and increased associated challenges, some players left the market and some others adopted a divestment policy in the country, reducing the number of stores. This all contributed to the market polarization around Sonae MC and Jerónimo Martins.

About 15 years ago, Sonae MC operated the proximity supermarkets Modelo Bonjour, the supermarkets Modelo and the hypermarkets Continente<sup>16</sup>. At that time Jerónimo Martins owned the supermarkets Pingo Doce, the hypermarkets Feira Nova and the Cash&Carry chain Recheio.

Sonae MC strategy was mainly characterized by its focus on category management and Hi-Lo pricing strategies, providing consumers a large product assortment across and within-categories as well as price promotions. Jerónimo Martins, on the other hand showed little to no category management nor pricing strategies, nevertheless it was highly recalled by the consumers due to the quality of its fresh products.

As time passed, both companies evolved and about 7 years ago some changes started to occur, mainly at Jerónimo Martins Group. Sonae MC maintained its strategy and in 2007 supplemented it with the launch of its loyalty card, *Cartão Continente*, a powerful tool that provides its users exclusive benefits and promotions. For Jerónimo Martins, these years were crucial in terms of short and long-term strategy definition and reinforcement of its market position.

In 2007, Jerónimo Martins acquired the 75 stores of the chain Plus in Portugal, strengthening the group position in the supermarkets segment. Additionally, in 2007 the company certified the development of its private label, already in the market since 1992. In 2009, the group decided to downsize most of its Feira Nova hypermarkets, converting them into Pingo Doce supermarkets. Alongside these actions Jerónimo Martins adjusted its communication strategy, alluding to the proximity of its stores, its EDLP<sup>17</sup> pricing strategy and the quality of its fresh and branded products, managing a very powerful private label well known for its good quality and considered good value for money.

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<sup>15</sup> Source: Kantar Worldpanel 2014 | data YTD July 2014

<sup>16</sup> Later, in 2011, Modelo and Modelo Bonjour were both renamed under the umbrella brand Continente in an effort to reduce the operational costs and provide homogeneity to the store formats.

<sup>17</sup> Every Day Low Price

However, on May 1<sup>st</sup> 2012, the whole market dynamics changed, Pingo Doce held a promotional campaign, comprising a flat 50% discount in every purchase above €100. Pingo Doce shifted its pricing strategy from EDLP to Hi-Lo and started to directly compete with Continente's aggressive discount strategies.

Nowadays we are presented with a market basically characterized by two extremely powerful top-players that together hold roughly 57%<sup>18</sup> of the value market share and have highly aggressive pricing and promotional strategies. Due to their market power, they are able to force their suppliers to share with them the burden of these low-prices, discounts and promotions.

### *1.5.1 Sonae MC and Jerónimo Martins Rivalry*

As previously mentioned, Sonae MC is the leader in the Portuguese grocery retail market. Before opening the door to the revolution in this market by the inauguration of the first hypermarket, the company had already established Modelo stores in Lisbon and Invictus stores in Oporto. Even though these were in supermarket format, they provided the company with some business know-how in this industry.

Today, Sonae MC, one of the core businesses of Sonae SGPS (**Exhibit 3**), operates several store formats in the food-retail industry, under the distinctive premise of providing quality products at competitive prices.

The company's hypermarket chain is named **Continente** and offers consumers a vast product assortment with its approximately 70 thousand SKUs<sup>19</sup>. **Continente Modelo** is the supermarket chain of Sonae MC and is typically located in medium sized population centres. Another store format is **Continente Bom Dia**, the proximity supermarkets of the group, particularly focused on more frequent daily-shopping habits. **Meu Super** is the franchising business of Sonae MC, in which stores operate under a small-proximity format. The company also holds a chain of cafeterias and restaurants, **Bom Bocado**, as well as para-pharmacies, **Well's** and bookstores, **Note!**.

Sonae MC developed, in 2007, a very powerful tool, their loyalty card named *Cartão Continente*, that reflects the company culture of constant strive for innovation. The card presents some unique and interesting features, not only for the consumer but also for the company. It is a great CRM<sup>20</sup> tool that helps tracking consumer shopping habits and preferences, enabling Sonae MC to better adjust to the ever-changing consumer patterns. Additionally, tracking each consumer shopping habits and preferences allows Sonae MC to provide its customers with personalized discount coupons sent to each customer's mailbox every two months (**Exhibit 4**). Moreover, the card offers consumers' a combination of off-the-shelf discounts and store discounts credit accumulation as well as cross-discounts with the oil products Portuguese market leader, Galp Energia (**Exhibit 5**). In July 2014, the number of active users of *Cartão Continente* was around 3,4M and the card accompanied over 90% of all the company's sales.

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<sup>18</sup> Kantar Worldpanel 2014 | data YTD July 2014

<sup>19</sup> Stock Keeping Units

<sup>20</sup> Customer Relationship Management



## 2. Continente Private Label

The first Continente PL was launched in 1991. At the time, trailing the strategy of other European retailers, Continente decided to add a PL to its product portfolio. This initial Continente PL was in line with its European “siblings” as it was basically a cheaper version of the NBs, a first-price product aimed at price-sensitive consumers and only existent in a limited number of product categories. As time passed, witnessing the fast pace growth of PL share in the FMCG<sup>21</sup> industry in other countries, Continente’s PL managers realised that PLs had in Portugal room to grow as well.

Following the organization fundamental pillars – price, quality, product variety and customer service – Continente started working on the development of its PL line.

### 2.1. Strategy and Product Portfolio

Today, Continente offers a well-established, segmented PL line that accounts for roughly 31% on Sonae MC total sales. The PL products named as Continente’s brand extensions are divided into two groups, on one hand a three-tiered *good-better-best* segmented offer and on the other, a number of specialized offers that target market niches.

The first group encompasses (1) the **generic** category named **é Continente** that targets highly price-sensitive consumers. The brand objective is to provide the cheapest product in every category they are commercialized. As a budget brand it is not present in each and every product category, instead it is only available in food and non-food basic categories such as milk, beans or dishwasher soap.

Products from (2) **Continente** brand can be classified as **copycats** since they mimic the leader NB products and target the same consumer segments. However, Sonae MC only applied this “me-too” approach to the product characteristics itself and not to the packaging, using plain and not very appealing packages. The company acknowledged this weakness and is currently proceeding to the rebranding of **Continente** branded products according to each product category (**Exhibit 6**). These products are present in almost every product category that the company carries and are a good alternative to the pricy NB products.

**Continente Gourmet** (3) is the third tier of the first PL group. Products under this brand are **premium** and so are their prices. By offering these high-quality, very differentiated and specific products, Sonae MC’s main goal is to both enhance the PL net margin and the consumer loyalty levels.

The second group, which includes specialized products that aim at particular consumers is divided into 8 categories. **Bio Continente** (1) is positioned as “the natural choice” and offers a range of several biologic products. **Equilíbrio Continente**, (2) is “the healthiest choice” encompassing food products with a healthier nutritional composition in terms of salt, sugar and fat. Products from (3) **Seleção Continente** are mainly characterized by its high quality at a convenient price, handpicked from the best suppliers. **Área Viva Continente** (4) has a range of products dedicated to special alimentary needs such as products suitable for diabetics and gluten-free products. **Fácil&Bom Continente** (5)

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<sup>21</sup> Fast Moving Consumer Goods

provides customers with a variety of the ready-to-eat meals inspired in traditional Portuguese recipes. Products from (6) **Bebé Continente** and (7) **Infantil Continente** are developed for infants, the first until 3 years old and the second for children older than 3 years old and are present in a variety of product categories. Finally, (8) **Pet Continente** is the brand that provides products for pets.

Brands from this second group of PLs such as **Bio Continente**, **Equilibrio Continente** and **Área Viva Continente** target very specific consumer segments and are able to stand out and create brand awareness for the remaining PL lines of Sonae MC as there is still little competition from major brands in these product categories.

It is important to mention that through its PL brands, Sonae MC is able to provide customers with a wide range of good quality products at reasonably low prices, approximately 30% to 65% below the leader NB, depending on the product category.

## 2.2. Placement

Continente's PL product in-store placement varies across categories according to the products' positioning. This means that not every Continente PL tier or brand extension is placed in shelves according to a standard ruling transversal to all the PL products.

Even though product in-store positioning might vary throughout the year, with special campaigns, offerings or price cuts, each Continente brand extension has its own pre-defined shelf space allocation.

In regard to the first-price PL line, **é Continente**, products are usually placed in bottom shelf facings. The placement strategy is clearly rooted to the products' positioning. As a budget line, the target consumer searches for the product, therefore there is no need for it to be in eye-level facings. Additionally, these products provide Sonae MC quite low margins, thus downsizing importance given to the placing of the products.

The second PL tier, **Continente**, due to its copycat strategy approach is more frequently placed at eye level and right next to the NB that it mimics. This positioning strategy is in line with academic literature<sup>22</sup>. Academics point out that with this approach, retailers induce comparison between NB products and PLs, drawing out consumers' attention to the PL lower price, enabling this to be a substantial factor influencing the purchase decision.

Finally, the premium PL line, **Continente Gourmet**, as the one that provides Sonae MC the higher margins per product should be placed at eye-level facings. However, shelf space is a scarce resource and even though it might provide the company with high margins per product, the brand targets a very specific customer that is not the "typical Portuguese consumer" that frequently goes to Continente's stores. As consequence, **Continente Gourmet** products end up placed in top shelves, above the eye level.

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<sup>22</sup> Fernandez Nogales, A. & Gomez Suarez, M., 2005. Shelf space management of private labels: a case study in Spanish retailing. *Journal of Retailing and Consumer Services*, 12(3), pp.205–216.

Regarding the Continente's brand extensions of specialized product offerings that aim at particular consumers, its in-store placement is even more product category and product itself related, therefore making it harder to describe a placement strategy. **Área Viva Continente** brand is an exception and its products can usually be found grouped in a well-identified and specific area of the store that gathers products that target customers with alternative consumption patterns.

Is it important to mention that Continente's PL has an extensive product portfolio that is present across the majority of the SKUs carried by the company. Therefore, even though there can be traced generic guidelines for product placing in each brand extension, they do vary across and within product categories. This is no surprise as also consumer perceptions and behaviour towards products vary.

Furthermore, note that regardless of the product category, new and innovative products as well as rebranded products are usually displayed in end-caps<sup>23</sup> in order to stimulate product trial.

### 2.3. Placement

A Continente's PL product is not usually advertised individually. Sonae MC promotional strategy concerning PL products is essentially focused on advertising the entire PL product assortment as a whole (**Exhibit 7**). The main purpose of the company's promotional efforts is to stimulate product trial and increase consumer demand and to reach that goal, Sonae MC resorts to the use of mostly sales promotions in the forms of (1) point-of-purchase (POP) displays, (2) product demonstrations and (3) organization of special events that promote the PL products.

POP displays are more commonly used with recently launched or rebranded products in order to increase customer awareness and stimulate impulse first-trial purchase. Product demonstrations are made through a cooking TV show, **Chefs' Academy**, that gives the opportunity to amateur cooks to learn more with renowned Portuguese chefs. All the products used in the TV show are Continente's PLs and besides increasing product awareness and familiarity it also stimulates brand recall. Finally, special events such as **Mega Pic-Nic Continente** and **Mercado de Sabores** are both held on a yearly basis and are developed mainly to increase brand awareness and positive associations towards the Continente brand.

These types of sales promotions are important tools to create added value to the customer, draw consumer traffic and increase impulse purchase as well as strengthen consumer loyalty.

In addition to the previously mentioned activities, Sonae MC also has a website named **Chef Online**<sup>24</sup> that provides consumers with innovative cooking recipes using Continente's PL products, weekly meals and shopping planners and information about the Continente's PL product portfolio. Moreover, **Magazine Continente** (**Exhibit 8**), a monthly magazine with the same cooking recipes as the website, some cooking tips and special discounts coupons, is available at Continente's stores. The magazine also highlights Continente's PL recently launched and rebranded products (**Exhibit 9**) and together with the

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<sup>23</sup> An end-cap is a product display placed at the end of an aisle.

<sup>24</sup> [chefonline.continente.pt](http://chefonline.continente.pt)

weekly discount promotional leaflets, these are the only two means by which Continente's PL products are promoted individually.

## **2.4. Continente PL and Pingo Doce PL: Competitive Analysis**

Sonae MC has a very large PL product portfolio, present in almost every product category that the retailer sells in its stores. However, it is present in all these categories under different "sub-brands" that comply with the needs of each consumer segment, being able to both reach more consumers and better satisfy each by providing a value proposition that better fits their needs and expectations. By doing so, Sonae MC is the only Portuguese retailer that offers consumers a truly segmented PL product portfolio.

Jerónimo Martins, the major Sonae MC competitor has also a well establish PL line, named under Pingo Doce brand. Among the Portuguese consumer, Pingo Doce PL is well known and due to the EDLP strategy that Pingo Doce pursued until 2012, consumers strongly associate Pingo Doce PL with good quality at reasonably low prices. It also contributes for the PL good quality perception the fact that Pingo Doce has throughout the years gained reputation for the quality of its fresh food, and positive associations regarding products that the chain carries tend to positively influence consumers perceptions on the chain's PL product assortment.

Even though well positioned on the consumers' mind, the truth is that Pingo Doce offers an undifferentiated PL product assortment, treating the market as whole, not differentiating between consumer segments. It is also worth mentioning the fact that in a fair share of Pingo Doce supermarkets, the consumer can only choose between a handpicked assortment of top-selling products of the product category leader and the chains' PL. This clear dominant presence of PLs in the store shelves might induce in consumers a feeling that their choices are being constrained.

These are the main differences between Sonae MC and Jerónimo Martins in-store product assortment strategy and PL policy. Including tiers on the PL line besides helping the company to better segment consumers also increase the perception of product choice and here Sonae MC has a clear advantage over Jerónimo Martins.

### ***1.5.1 The Retail Price***

Sonae MC is price-taker in the grocery retail market, meaning that Jerónimo Martins sets the prices and then Sonae MC adjusts its prices to be in line with those. This dynamic goes back from the fact that Pingo Doce was an EDLP retailer that in order to provide its customers with the lowest prices in the market had to develop a lean and efficient supply chain. By adopting this approach, Pingo Doce was able to attain a better overall business performance in the market that provides the company with higher net margins per product.

Pingo Doce, as an EDLP retailer, was constantly pushing the prices down, forcing Sonae MC to follow the stipulated prices with price off actions. However, in May 2012 when Pingo Doce adopted a Hi-Lo pricing strategy, it started carrying its own discount actions and things became more complex for Sonae MC.

What happens is that, as previously mentioned, in a fair share of supermarkets, Pingo Doce mainly carries a handpicked assortment of top-selling products of the product category leader and the its PL, so it sets the price of its PL according to the price gap that is aligned with the chains' strategy in terms of cost structure and possible future price off actions.

Sonae MC aligns its PL **Continente** brand price with Pingo Doce's one but the problem is that Sonae MC has more than one tier and changes on the price of **Continente** brand will necessarily impact the price of **é Continente** brand. Hence, if Pingo Doce alters the price of its PL, Sonae MC will change its **Continente** PL too, altering the pre-defined price gap between **Continente** and **é Continente**.

Ideally there is a 10% price gap between these two brands, however if Jerónimo Martins decides to lower the price of a specific PL product by 10%, Sonae MC will follow and adjust **Continente** PL price by those exact 10%, leaving both **Continente** and **é Continente** brands at the same price. Additionally, as a budget PL, **é Continente** price has not much room for changes and that is why one sometimes actually sees products from these two brands at the same price, disrupting the whole segmented PL line strategy.

In order to restore the tiered PL line, Sonae MC decreases **é Continente** price by discount offers to show customers that it is a special bargain, that will not be replicated any time soon, instead of a constant price cut. However, price discounts erode credibility to the full price, especially in product categories that lack off emotional and not rational associations, making the difference between the retail price and the discount price unjustifiable at consumers' eyes.

Enough said to show Sonae MC's tricky situation. As price-taker it has little to no control over the pricing of some products and perhaps the viability of carrying **é Continente** in product categories where **Continente** brand exists should be further analysed.

### 3. The "Challenge"

Around 2003, Continente's PL managers, noticed that perhaps they had extended the PL line too far. Even though customer response to their PL products was quite positive in the majority of the product categories, they were facing some trouble selling products from specific categories. Thorough research on this matter showed that even though PL market penetration on utilitarian product categories was frankly positive, on categories with a higher level of product involvement there were some psychological barriers left to overcome. Continente's PL managers knew they had to act in order to turn PLs profitable on those categories. But how would they persuade consumers to buy PLs on product categories where they are less prone to do so?

#### 3.1. Non-insignia Brands: The Solution

The typical consumer nature is of a risk averse individual and therefore in product categories where the associated purchase risk is higher it is understandable that consumers choose to purchase NB products over PL ones. The product categories that Continente's PL managers identified as challenging for PL market penetration were the ones with higher functional or social perceived risk. Hence, products

that consumers do not buy either due to (1) high NB loyalty levels, (2) lack of trust in the PL quality or (3) social stigma associated with the PL purchase.

In order to overcome these barriers that limit consumer purchase-decision towards PL products, Continente's PL managers decided to create what they call "Continente exclusive brands" or "Continente non-insignia brands". These brands, in contrast with the "normal" Continente's PLs that are named as brand extensions and therefore carry Continente's brand, are designed and developed to be identified by consumers as new brands in the market that carry no immediate association with Continente's brand.

So far, Sonae MC has developed and launched 6 brands without Continente's insignia. Continente's PL personal care products, identified as one of the product categories where PLs were having more trouble conquering market share, are nowadays sold under the brand **My Label**. Wines, a product category where not only perceived quality is quite relevant on the purchase decision but also "social approval" plays an important role, one can find on Sonae MC stores branded as **Contemporal**. In regard to office supplies, home essentials as well as luggage and travel accessories, product categories where consumers do not normally expect to find PL products as they are quite far from the retailers' core values, were named **note it**, **KASA** and **packIt**, respectively. The most recent non-insignia brand is **Bem Me Quer**. Launched this year, the brand provides customers with premium chocolate products.

### *3.3.1 Pricing Non-insignia Brands*

Before launching the non-insignia brand products on the market, the question on how to price them arose. Sure they were Continente's own brands and therefore part of the retailers' PL product portfolio, however consumers are not aware of that. For the consumer, these are at the most products he can find exclusively at Continente's stores.

Continente's PL managers were facing a challenging issue. They knew that pricing these products at the same price level as they did when they were Continente's brand extensions would most likely create a general bias towards the products as consumers would perceive the brand as a NB at a very low price, therefore inducing a lack of trust on the products' quality. At the same time they also knew that pricing the product too close to the product category leader would be risky as so far there was neither any brand awareness nor any brand equity.

The decision was to price these products, depending on the product category and the product characteristics, between the discount price of the "follower"<sup>25</sup> NB and a 30% price gap from the leader NB.

### *3.3.1 Placing Non-insignia Brands*

The in-store placement of non-insignia brands' products as in "normal" PL products varies across product categories and does not follow standardized guidelines. However, also for these brands, it is possible to draw some generalizations on the in-store product placement. Even though they do not follow a copycat strategy per se, these products ultimately compete with the leader NB and therefore it is quite

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<sup>25</sup> For the purpose of this study, follower NB refers to the brand that, after the market leader, holds the biggest market share.

frequent to see them placed right next to the leading NB product in order to stimulate product comparison and draw out consumers' attention to the price gap between the two (**Exhibit 10**).

### *3.3.2 Promoting Non-insignia Brands*

If product placement strategies do not vary much between "normal" PLs and non-insignia brands, the same does not apply to product promotion.

As previously stated, Continente's PL products are not usually advertised individually, but instead the entire PL product assortment is advertised as a whole. The same does not happen with the non-insignia brands and its products are individually advertised for their unique features and benefits.

In an effort to detach these brands from its PLs roots, non-insignia brands and products are not advertised in a bundle with each other or with the "normal" PLs, instead each brand is advertised individually. The main vehicle Continente's PL managers choose to advertise these brands or products are media channels, namely TV.

It is also worth mentioning that even though Continente's PL managers want to detach these brands from their PL roots, they still want the consumer to exclusively link them to the brand Continente and therefore in every brand promotion, the brand Continente is referred. For instance with the TV commercials, the last seconds are assigned for the brand Continente to appear as a background and a voice to communicate to the consumers that "*the brand is an innovation of Continente*" or "*you can find the brand/product at a Continente store*".

### *3.3.2 Phasing-out of the existent PLs*

The purpose of creating non-insignia brands totally dissociated from Continente's brand is to conquer market share in the above mentioned product categories. The idea is not to cannibalize sales from the previously existent PL products but rather increase the retailers' market position in those product categories.

Hence, it seemed pointless at the Continente's PL managers' eyes to maintain the existent PL products on the market. This means that once the non-insignia brand is launched it is carefully monitored and if it performs as expected, the previously existent PL products are phased-out.

Nevertheless, there are some very specific PL products that due to its characteristics and positioning do not fit well in the new non-insignia brand product portfolio and the ones considered relevant are maintained under the Continente's PL brand. However, these situations are very exceptional and Continente's PL managers individually study their viability.

The shower gel case is the perfect example to illustrate the above-mentioned situations. As part of the personal care product category, shower gels from Continente's PL line should have been rebranded to **My Label**. However, these products had actually reasonable levels of market penetration, meaning that even though consumers' had some reluctance to buy PL personal care products in general they were quite prone to purchase Continente's PL shower gels. Branding these products under **My Label** could actually harm their already existent market share.

Continente's PL managers decided to maintain shower gel products branded under the PL lines of **é Continente** and **Continente** and add to the shower gel product portfolio **My Label** products positioned as the "higher-value" shower gel, not competing with the basic PL line but instead complementing the existing shower gel offer.

### 3.2. The Result

Adding the non-insignia brands to Sonae MC's product portfolio turned out a success. The company's market share in the personal care, wines, office supplies, luggage and travel accessories, home essentials and premium chocolate product categories has significantly improved. The company reported an average sales increase of 15%, in these categories.

The success of the concept is still limited, however it has high potential for growth, and it is possible to see a clear company strategy to expand the concept across the high-involvement purchase product categories.

Note that a market research was conducted, and is presented in the next chapter, in order to deepen the insights on consumer's awareness, acceptance and response towards private labels in general as well as the both insignia and non-insignia branded Continente's private labels.



## Chapter IV: Market Research

### 4.1. Methodology

In an attempt to gather information on consumer's awareness, acceptance and response towards Continente's non-insignia brands and private labels in general, a market study was conducted. The questionnaire approach was somehow shaped by the target population specifications. The population from which information was collected was both male and female individuals, ages comprising between 18 and 65 years old, who shop or are at least familiar with Continente stores.

To better reach the target, about 20% of the surveys were conducted face to face near Continente stores. However, and to broaden the research scope, the same questionnaire was distributed via email.

The survey (**Exhibit 11**) was structured according to 5 major sections. The first section was dedicated to get insights on individuals' **purchase frequency and store choice**. Questions were made to set the time between purchases and to know what are the main factors that draw consumers to a particular store.

The following section aimed at understand consumers' **habits and associations with PLs in general** as well as measure the **awareness levels of Continente's PL 3-tiered line**. The third set of questions was developed to uncover consumers' **familiarity and perceptions towards Continente's non-insignia brands (NIB)**, using images of the brands' logos as well as examples of their products so that consumers could better identify the brands subject of analysis.

The forth section was developed to study consumers' **product preferences** by using 5 sets of product comparison, the first presenting three identical products: one from a NB, other from a Continente's PL and another from a Continente's NIB. The remaining sets, compared (1) NB and rebranded Continente's PL products, (2) NB and Continente's PL products, (3) Continente's PL and Continente's NIB products and finally (4) NB and Continente's NIB products. These last 4 sets of product comparison tested quality perceptions and price expectations.

Finally, the last section of the questionnaire was dedicated to **demographic** related questions.

### 4.2. Sample Description

Over 200 responses were collected, but only 178 were finished, hence considered acceptable, translating into a dropout rate of roughly 11%.

Before diving into a deeper analysis, and because the characteristics of a population are likely to influence the research results, the starting point will be sample description.

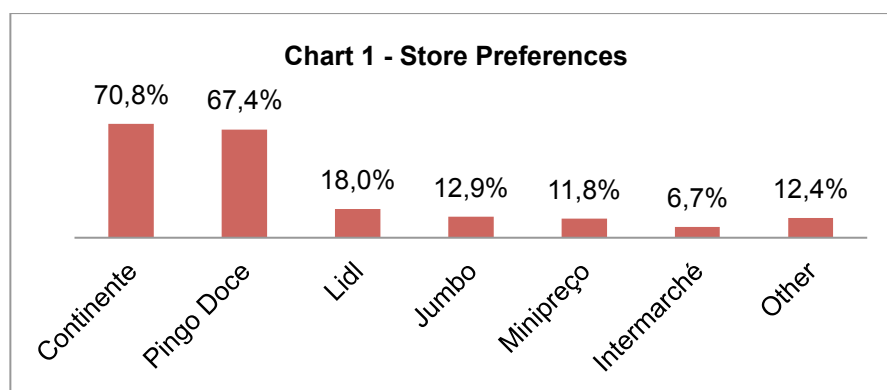
The sample was composed by 66% females against 34% males. The majority of the participants, 39% to be exact, falls into the age category of 35 to 49 years old, and 74% are comprised in this age category and the one from 50 to 65 years old. When considering the yearly income levels, approximately 39% were positioned between 25000€ to 50000€.

### 4.3. Findings<sup>26</sup>

For the purpose of this research, the more appropriate respondent would be the person responsible for the household grocery shopping, or at least a respondent that might think like one. Roughly 82% of the participants said to be the person in charge when it comes to grocery shopping responsibilities, making the sample valid for the study. Additionally, about 71% of the participants shop in a weekly basis.

#### Purchase Frequency and Store Choice

Individuals were asked about which were the two retailers they usually go to. Without much surprise, 71% answered Continente followed by 67% that answered Pingo Doce. But which factors were leading consumers to go to retailer A instead of retailer B? According to this sample, **quality** of the products seems to drive store choice, with an average importance of 87 out of 100 points, followed by **price** with 83 points. Store **proximity** and **product range**, although presenting high average importance values, seem to be the ones with less importance on the store choice decision, with 73 and 78 points out of 100.



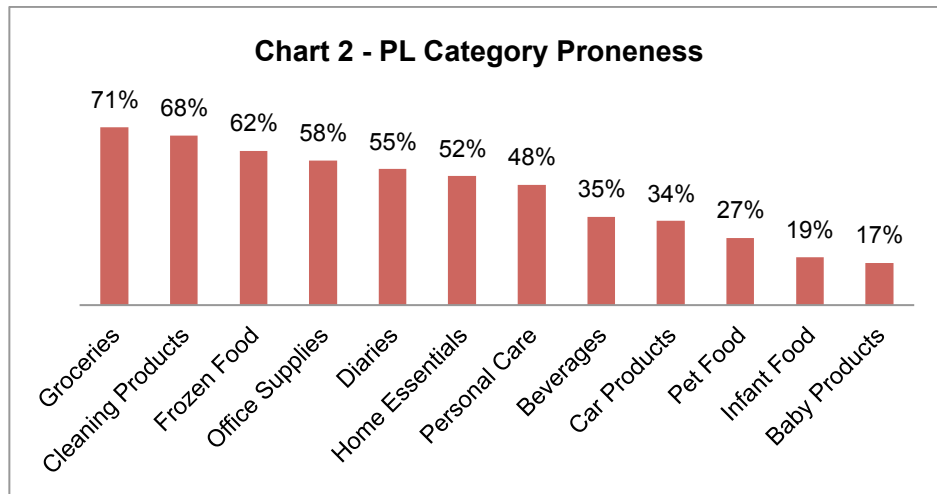
Moreover, it was interesting to breakdown the importance of each factor, by restricting the store choice factors to only Continente and running a Logit Regression Analysis. Unfortunately, the results are not statistically relevant once the indicators of model suitability and variance explained by the model are too low and none of the variables present in the equation explain the dependent variable “being familiar with Continente” (**Exhibit 12B Table 5**).

#### Consumers and PLs

When questioned whether they purchase PLs or not, only 13% of the respondents replied negatively. Nevertheless, there are some sensitive categories, where consumers are more reluctant to purchase PLs. It was no surprise to find that, from the 12 categories listed, participants were more hesitant to purchase **baby products**, only 17% would buy PL in this category, also only 19% of the respondents were willing to buy PL **infant food** and finally **pet food** presented purchase intentions of

<sup>26</sup> On **Exhibit 12**, findings' tables are provided.

roughly 27%. In contrast, **groceries**, **home essentials**, **frozen food** and **dairies** have high levels of PL acceptance, around 71%, 68%, 62% and 55% respectively.



It seems that in product categories with more emotional strength attached, in these three cases, where “caring for someone else” is key, participants prefer to purchase the well know and trustworthy NBs. These findings are in line with the academic literature that points out that perceived risk is category specific and consequently so is the proneness to purchase PL products<sup>27</sup>.

To uncover consumers’ perceptions and beliefs towards PLs, individuals were presented with a set of 6 sentences, and using a 100 points scale, they had to assess to which degree they agreed to each item, 1 being the lower end (Completely disagree) and 100 the maximum level.

Overall, participants believe that PLs have a good value for money ratio, and it is agreed PLs have low prices, scoring above 70 points. The lowest average score was regarding the sentence “*I only buy PL when NBs are not available*”, which shows that consumers do not purchase PLs only when they feel their choices being constrained for lack of NBs on the shelves. Instead, PLs are taken into consideration in the purchase decision as brands competing with NBs. However, even though not with high discrepancy values, NBs are still the biggest part of the shopping basket (nr. 5).

	Mean	Std. Deviation
<b>Nr. 1:</b> <i>I link quality to PL products</i>	56,4	26,9
<b>Nr. 2:</b> <i>I link low prices to PL products</i>	70,2	28,4
<b>Nr. 3:</b> <i>I link low prices to low quality</i>	34,8	29,0
<b>Nr. 4:</b> <i>I only purchase PL products when NBs are not available</i>	24,8	30,2
<b>Nr. 5:</b> <i>I purchase more PL products than NB</i>	46,4	33,0
<b>Nr. 6:</b> <i>For me PL products have a good value for money ratio</i>	70,5	25,3

**Table 1 – Consumers’ Perceptions**

<sup>27</sup> Ailawadi, K.L. & Keller, K.L., 2004. Understanding retail branding: conceptual insights and research priorities.

*Journal of Retailing*, 80(4), pp.331–342.

## Consumers and Continente's tiered PL line

The next step was to assess awareness and purchase intentions of the three-tiered PL line of Continente. The results are quite satisfactory. In regard to the awareness levels of **é Continente**, **Continente** and **Continente Gourmet** all three are above 65%, reinforcing the strength of these brands in the Portuguese market. The brand with the highest awareness level is **Continente**, with 83% of the participants recognizing the brand, followed by **é Continente** with an awareness level of roughly 78%. Meanwhile, the lowest level of awareness, around 65% belongs to **Continente Gourmet**, the value can probably be explained by the fact that this brand targets a specific customer that is not the "typical Portuguese consumer" that frequently goes to Continente's stores and its consequent in-store position.

Nevertheless, more than 35% of the respondents positively answered when asked if they purchase **Continente Gourmet**, against the 30% who indicated **é Continente** as part of their shopping basket. Although consumers seem to better recognize the brand **é Continente**, when comparing to **Continente Gourmet**, their purchase intentions are lower. The value might be explained by the fact that **é Continente** is a budget product line and therefore seen as of lower quality, instigating in consumers more associated risks with its purchase. Also important to mention that the answer may be biased by social desirability, mainly in the face-to-face questionnaires since the participants might feel uncomfortable stating that they buy the first-price Continente brand aimed at highly price-sensitive consumers.

**Continente** is the PL tier with more favourable purchase intentions, 74% of the respondents stated that they buy the brand. **Continente** is without any doubt, the most relevant Sonae MC's PL among the members of this population, beating the remaining two on both awareness and purchase intention.

	Awareness	78%
	Purchase	30%
	Awareness	83%
	Purchase	74%
	Awareness	65%
	Purchase	35%







**Table 2 - Awareness & Purchase PL Tiered Line**

## Consumers and Non-Insignia Brands

Besides uncovering the acceptance and recognition of the non-insignia Continent PLs, this questionnaire went further to shed some light upon this new range of PL brands detached from the retailers' name.

Contrary to **é Continente**, **Continente** and **Continente Gourmet**, awareness levels do not go much beyond 50% for these non-insignia PL brands. **KASA**, with 59% of consumer's awareness, is the

brand respondents were more familiar with, whereas **My Label**, the first brand created under this strategy, was recognized by 55% of the respondents. The results are as follow:

	Awareness	Purchase
	59%	42%
	55%	40%
	55%	23%
	25%	8%
	20%	7%
	12%	3%

**Table 2 - Awareness & Purchase Non-Insignia Brands**

It was interesting to notice that even though **My Label** is one of the top three brands respondents are more familiar with, consumers' purchase intentions towards this brand are quite low compared to the other two brands that scored higher on brand awareness. This shows that consumers' purchasing intentions in the personal care category might have changed with the non-insignia PL brand, however the change is not as noticeable as for the home essentials and office supplies product categories. This finding is in line with the academic literature that points out that personal care is a product category high on imagery and therefore consumers are more loyal to the trustworthy NBs (Kumar & Steenkamp, 2007).

Further, consumers were asked whether they associate the non-insignia brands as exclusive brands of Continente's stores. **KASA** is the brand with the highest level of retailer's association, roughly 56% of the respondents positively answered when asked if the brand was exclusively associated with Continente's stores. The brands **My Label** and **note it**, could not generate a solid agreement among the participants, on whether they belong solely to Continente or not, being identified as exclusive brands by 41% and 42% of the respondents, respectively. The premium chocolate brand, **Bem Me Quer**, the wine brand, **Contemporal** as well as the luggage and travel accessories brand, **packIt** are the ones that respondents less identify as Continente's exclusive brands, with approximately 12%, 10% and 3% of linkage, respectively.

The particularity of this set of non-insignia brands is that once they are not directly related to the retailer's name, they impact the consumer's mind differently. To unveil such differences and find out consumers' associations towards Continente's non-insignia brands, participants were asked to link characteristics to each brand.

Only 21% of the respondents associated **My Label** with quality, yet 30% believed the brand has a balanced price-quality ratio. Overall the brand is perceived as a non-innovative medium-low priced brand.

The brand **note it** was identified by approximately 35% of the respondents as low priced and 26,4% of the participants linked quality to the brand. Interestingly, about 38% of the respondents believed

the brand deliver a good price-quality ratio. On the downside, participants did not consider this brand to be particularly innovative.

**KASA** is the one that shows the best results among the non-insignia brands. Roughly 32% of the individuals believed the brand has good quality levels and 26% of the respondents perceived its prices as low. Most importantly, **KASA** has the best score for price-quality ratio, 42% of the participants acknowledging its good value for money. Additionally, even though still presenting a low score on the innovativeness of its products, **KASA** was the brand that most consumers (8%) could relate with innovative products.

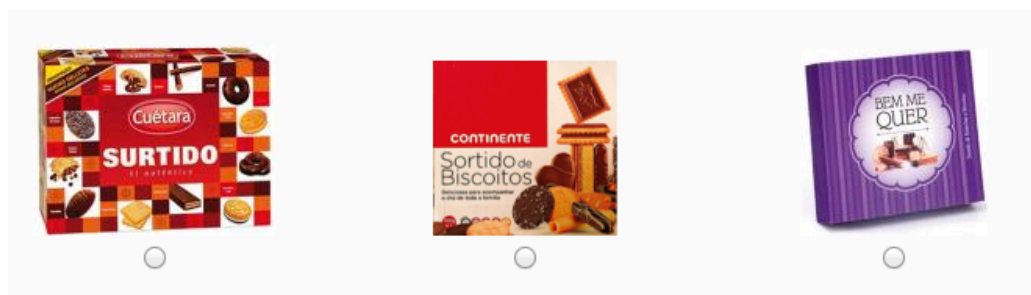
Results for the non-insignia brands **Contemporal**, **packIt**, and **Bem Me Quer** are perhaps the most disappointing. People do not associate these brands with any of the presented categories: products quality, low or highly priced, good price-quality ratio and innovative products. This is most likely a result of the fact that these were the brands that scored the lowest on the awareness levels, meaning that respondents are not very familiar with these brands and therefore they were not able to link them with almost any of the listed characteristics.

## Consumers and Non-Insignia Brands

According to Nielsen, about 67%<sup>28</sup> of the purchase decisions are taken in-store while one looks through each product category shelf. Therefore this questionnaire wanted to generate some insight on the strength Continente's brands have when compared to national brands. Will price together with visual impact, beat emotional attachment and consumers' susceptibility?

For this analysis, as previously stated, there were used 5 sets of product comparison, in 2 distinct groupings. The first set's main goal was to compare the products solely based on image and associations that consumers might have towards each product. In the following 4 sets of products, 2 products were put side-by-side, aiming to test product quality perception, purchase intentions and price expectations.

### 1. Leading National Brand vs Continente's Private Label vs Continente's Non-Insignia Brand



First, respondents were presented with 3 similar boxes of cookies: (1) **Cuétara** (9,19€/kg), (2) **Continente** (5,98€/kg), and (3) **Bem me Quer** (6,38€/kg). However to ensure individuals' responses were not biased by the products price, they were not revealed and it was asked the participants to choose

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<sup>28</sup> Global Shopper Learnings | Nielsen 2014

among the 3 products the one they would purchase assuming they were all identic and had the same price.

The product that consumers would most likely purchase is the first one, from the leading NB **Cuetara**, with approximately 49% of the participants selecting the brand, followed by **Continente** PL that was chosen by 29% of the respondents. Finally, the Continente's non-insignia brand **Bem Me Quer** only managed to get 22% of the purchase intentions.

## **2. Leading National Brand and rebranded Continente's Private Label**



For this product comparison, there were shown two packs of potato chips: (A) **Lay's** and (B) **Continente**. Unarguably, 82% of the respondents attributed more quality to **Lay's** potato chips than to **Continente's** PL. However, this percentage sharply drops when individuals were asked which of the products they would buy. Interestingly, faced with the purchase scenario, only 53% of the respondents would choose to buy **Lay's**, against 47% that preferred **Continente** potato chips. Showing quite balanced purchase intentions between the two products.

To have a clue on the role of price in this product category, it was established that **Lay's** potato chips cost €1 and participants were given 5 possibilities to decide whether they were willing to pay more, the same or less for **Continente's** potato chips and how much. Roughly 76% of the participants would pay less for **Continente's** potato chips. However the majority of the participants (52%) stated that a price difference of only €0,25 will be enough to shift their purchase intention from the leader NB, **Lay's** to the copycat PL **Continente**.



### 3. Leading National Brand and Continente's Private Label



This set of product comparison, puts side-by-side two products that already proven in this study to be part of a sensitive product category regarding PL acceptance as consumers indicated to be more reluctant to purchase infant food PL products.

It was shown to the participants two boxes of infant cereals: (A) **Cerelac** and (B) **Continente**. Again, the overall majority of the participants (97%) chose the leading NB product over the PL **Continente** as the product that delivers more quality. However, and unlike the previous case, when facing a purchase scenario, only 14% of the participants would be willing to buy the PL product.

To understand once more the price role, this time on the infant food category, it was stipulated a price of €5 for **Cerelac** and again participants were given 5 possibilities to decide whether they were willing to pay more, the same or less for **Continente's** infant cereal and how much. It was interesting to see that about 90% of the respondents were willing to buy **Continente's** infant cereal if it was cheaper than **Cerelac**. However, in this case the necessary price gap to change consumers' behaviour towards these two products would be one of 50%, according to roughly 61% of the participants.

### 4. Continente's Private Label vs Continente's Non-insignia Brand



In the fourth set of product comparison, in an effort to understand the impact of a change in the PL branding strategy, it was shown the exact same coffee cups under two distinct brands: (A) **Continente** and (B) **KASA**. It was quite interesting to see that even though about 70% of the respondents perceived the coffee cups of **KASA** to have more quality, 63% of the participants when confronted with the purchase scenario would pick **Continente's** coffee cups.



The price role was once more taken into consideration and with an established price of €0,5 for **Continente's** price cups, participants were given 5 possibilities to decide whether they were willing to pay more, the same or less for **KASA's** coffee cups and how much. In this case, 42% of the respondents expected these two products to carry the same price, and only roughly 25% of the people inquired stated that they were willing to pay more for the product that according to the results was perceived of higher quality.

The underlying reason for these results might be upon the product category itself. When evaluating these two products, consumers seem to value price as the decisive factor of their purchase decision.

### 5. Leading National Brand vs Continente's Non-insignia Brand



Finally, the last set of product comparison was designed to understand consumers' quality perceptions and purchase intentions towards a leading NB of shampoos and the Continente's non-insignia brand. In order to carry with the experiment, respondents were faced with two shampoo bottles: (A) **Pantene** and (B) **My Label**. In line with the information gathered regarding the infant food product category, consumers' were again reluctant to buy other brand other than the leading and trustworthy NB. Roughly 92% of the respondents identified **Pantene** shampoo, as the product with more quality and only 16% of the participants when faced with the purchase scenario were willing to buy **My Label** shampoo.

Once more, the price role was subject of analysis and a price of €4 was set for **Pantene** shampoo and again participants were given 5 possibilities to decide whether they were willing to pay more, the same or less for **My Label's** shampoo and how much. It is remarkable that 83% of the participants were willing to change their purchase decision if **My Label's** shampoo had a lower price. A final note goes to the fact that 55% of the respondents would need a 50% price gap, between the two products, in order to choose **My Label's** shampoo over **Pantene's** one.

### Non-insignia Brands awareness levels by Age

In an attempt to go deeper with the study and better understand if every age category has the same awareness of the Continente's non-insignia brands, a cross-tabulation analysis was conducted.

Unfortunately, a statistical relationship was only proven for **My Label** and **note it** brands. By running a Chi-Square test of association, there is statistical evidence to reject the null hypothesis that the variables, awareness and age, are statistically independent, hence they are related. However, for **My Label** and **note it** brands, the Cramer's V coefficient shows only some strength in the association ( $V=0,261$ ;  $V=0,405$  respectively), keeping in mind that the closer to 1 this indicator is the better, there might be some reservations to the significance of this result.

Nevertheless it is quite interesting to notice that among younger respondents, until 35 years old, their level of brand awareness is higher then when we move to older age classes. The results are as follow:

Table 3.1: Crosstab Awareness My Label and Age

			Age					Total
			Age					
			18 - 24 years old	25 - 34 years old	35 - 49 years old	50 - 64 years old	More than 65 years old	
Awareness MY Label	No	Count	6	4	34	35	2	81
		% within Age	33,3%	16,7%	49,3%	55,6%	50,0%	45,5%
	Yes	Count	12	20	35	28	2	97
		% within Age	66,7%	83,3%	50,7%	44,4%	50,0%	54,5%
Total		Count	18	24	69	63	4	178
		% within Idade	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

Table 3.2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12,119 <sup>a</sup>	4	,016
Likelihood Ratio	13,037	4	,011
Linear-by-Linear Association	7,448	1	,006
N of Valid Cases	178		

a. 2 cells (20,0%) have expected count less than 5. The minimum expected count is 1,82.

Table 3.3: Symmetric Measures

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Nominal by Nominal	Phi	,261			,016
	Cramer's V	,261			,016
Interval by Interval	Pearson's R	-,205	,072	-2,781	,006 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	-,210	,072	-2,853	,005 <sup>c</sup>
N of Valid Cases		178			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

**Table 4.1: Crosstab Awareness note it and Age**

			Age					Total
			18 - 24 years old	25 - 34 years old	35 - 49 years old	50 - 64 years old	More than de 65 years old	
Awareness Note it	No	Count	3	7	23	44	3	80
		% within Age	16,7%	29,2%	33,3%	69,8%	75,0%	44,9%
	Yes	Count	15	17	46	19	1	98
		% within Age	83,3%	70,8%	66,7%	30,2%	25,0%	55,1%
Total		Count	18	24	69	63	4	178
		% within Age	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

**Table 4.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29,233 <sup>a</sup>	4	,000
Likelihood Ratio	30,267	4	,000
Linear-by-Linear Association	23,689	1	,000
N of Valid Cases	178		

a. 2 cells (20,0%) have expected count less than 5. The minimum expected count is 1,80.

**Table 4.3: Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Nominal by Nominal	Phi	,405			,000
	Cramer's V	,405			,000
Interval by Interval	Pearson's R	-,366	,064	-5,215	,000 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	-,389	,066	-5,606	,000 <sup>c</sup>
N of Valid Cases		178			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

## Non-insignia Brands awareness levels by Gender

The same logic was applied, this time to analyse if the awareness levels of Continente's non-insignia brands would vary according to gender.

A statistical relationship was found for the exclusive brands **My Label**, **KASA**, **packIt** and **Bem Me Quer**, hence awareness of certain brands is indeed related with gender, varying accordingly. Further, analysis of the Chi-Square test of association indicates that there is statistical evidence to reject the null hypothesis that the variables are statistically independent.

However, it is only interesting to point out the results for **My Label** and **KASA**, since even though there is dependency between the variables purchase and gender, for both **packIt** and **Bem Me Quer** brands the percentage of respondents that positively answered when asked if they purchase the brands is quite low.

For **My Label** and **KASA** brands, results show that females are in both cases more familiar with the brands. Only 33% of men know the brand **My Label** against the roughly 66% of women that recognize the brand. Even though results for **KASA** brand show less of a disparity, still only 39% of men are familiar with the brand against 69% of women who identified the brand.

**Table 5.1: Crosstab Awareness My Label and Gender**

			Gender		Total
			Male	Female	
AwarenessMy Label	No	Count	41	40	81
		% within Gender	67,2%	34,2%	45,5%
	Yes	Count	20	77	97
		% within Gender	32,8%	65,8%	54,5%
Total		Count	61	117	178
		% within Gender	100,0%	100,0%	100,0%

**Table 5.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	17,635 <sup>a</sup>	1	,000	,000	,000
Continuity Correction <sup>b</sup>	16,328	1	,000		
Likelihood Ratio	17,844	1	,000		
Fisher's Exact Test					
Linear-by-Linear Association	17,536	1	,000		
N of Valid Cases	178				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 27,76.

b. Computed only for a 2x2 table

Table 6.1: Crosstab Awareness KASA and Gender

			Gender		Total
			Male	Female	
AwarenessKASA	No	Count	37	36	73
		% within Gender	60,7%	30,8%	41,0%
	Yes	Count	24	81	105
		% within Gender	39,3%	69,2%	59,0%
Total		Count	61	117	178
		% within Gender	100,0%	100,0%	100,0%

Table 6.2: Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	14,804 <sup>a</sup>	1	,000	,000	,000
Continuity Correction <sup>b</sup>	13,594	1	,000		
Likelihood Ratio	14,770	1	,000		
Fisher's Exact Test					
Linear-by-Linear Association	14,721	1	,000		
N of Valid Cases	178				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 25,02.

b. Computed only for a 2x2 table

## Non-insignia Brands purchase intentions by Age

Again a cross-tabulation analysis was conducted but this time to measure if there was a relationship between the purchase intentions of Continente's and the respondents' age.

In this case, a statistical relationship was only proven for the exclusive brands *note it*. By running a Chi-Square test of association, there is statistical evidence to reject the null hypothesis that the variables, purchase intentions and age, are statistically independent.

However, the Cramer's V coefficient shows only some strength in the association ( $V=0,372$ ), and keeping in mind that the closer to 1 this indicator is the better, there might be some reservations to the significance of this result.

Interestingly the age classes that are more familiar with the brand are perhaps the target users, respondents between 18 to 24 years old that would most likely buy office supplies for college, and the target buyers, participants with ages comprised between 35 to 49 years old, parents that would buy school supplies for their kids.

**Table 7.1: Crosstab Purchase Intentions note it and Age**

			Age					Total
			18 - 24 years old	25 - 34 years old	35 - 49 years old	50 - 64 years old	More than de 65 years old	
Purchase note it	No	Count	7	17	29	49	4	106
		% within Age	38,9%	70,8%	42,0%	77,8%	100,0%	59,6%
	Yes	Count	11	7	40	14	0	72
		% within Age	61,1%	29,2%	58,0%	22,2%	0,0%	40,4%
Total		Count	18	24	69	63	4	178
		% within Age	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

**Table 7.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	24,659 <sup>a</sup>	4	,000
Likelihood Ratio	26,558	4	,000
Linear-by-Linear Association	8,958	1	,003
N of Valid Cases	178		

a. 2 cells (20,0%) have expected count less than 5. The minimum expected count is 1,62.

**Table 7.3: Symmetric Measures**

		Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.
Nominal by Nominal	Phi	,372			,000
	Cramer's V	,372			,000
Interval by Interval	Pearson's R	-,225	,070	-3,063	,003 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	-,246	,071	-3,367	,001 <sup>c</sup>
N of Valid Cases		178			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

## Non-insignia Brands purchase intentions by Gender

Finally, in order to analyse if the purchase intentions regarding Continente's non-insignia brands would vary with gender, the same logic was applied.

A statistical relationship was found for the exclusive brands **My Label**, **note it** and **KASA**, hence gender influences purchase intentions of certain brands. By running a Chi-Square test of association, there is statistical evidence to reject the null hypothesis that the variables are statistically independent, hence related.

Therefore it is possible to state that purchase intentions towards these three Continente's non-insignia brands vary according to the respondents' gender. In all the three cases females are more willing to purchase products from these brands. Results are as follow:

**Table 8.1: Crosstab Purchase Intentions My Label and Gender**

			Gender		Total
			Male	Female	
PurchaseMy Label	No	Count	53	85	138
		% within Gender	86,9%	72,6%	77,5%
	Yes	Count	8	32	40
		% within Gender	13,1%	27,4%	22,5%
Total		Count	61	117	178
		% within Gender	100,0%	100,0%	100,0%

**Table 8.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4,664 <sup>a</sup>	1	,031	,037	,022
Continuity Correction <sup>b</sup>	3,883	1	,049		
Likelihood Ratio	4,987	1	,026		
Fisher's Exact Test					
Linear-by-Linear Association	4,638	1	,031		
N of Valid Cases	178				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 13,71.

b. Computed only for a 2x2 table

**Table 9.1: Crosstab Purchase Intentions note it and Gender**

			Gender		Total
			Male	Female	
Purchase note it	No	Count	43	63	106
		% within Gender	70,5%	53,8%	59,6%
	Yes	Count	18	54	72
		% within Gender	29,5%	46,2%	40,4%
Total		Count	61	117	178
		% within Gender	100,0%	100,0%	100,0%

**Table 9.2: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	4,612 <sup>a</sup>	1	,032	,037	,023
Continuity Correction <sup>b</sup>	3,947	1	,047		
Likelihood Ratio	4,712	1	,030		
Fisher's Exact Test					
Linear-by-Linear Association	4,586	1	,032		
N of Valid Cases	178				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 24,67.

b. Computed only for a 2x2 table

**Table 9.1: Crosstab Purchase Intentions KASA and Gender**

			Gender		Total
			Male	Female	
Purchase KASA	No	Count	47	56	103
		% within Gender	77,0%	47,9%	57,9%
	Yes	Count	14	61	75
		% within Gender	23,0%	52,1%	42,1%
Total		Count	61	117	178
		% within Gender	100,0%	100,0%	100,0%



**Table 9.3: Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	14,008 <sup>a</sup>	1	,000		
Continuity Correction <sup>b</sup>	12,837	1	,000		
Likelihood Ratio	14,636	1	,000		
Fisher's Exact Test				,000	,000
Linear-by-Linear Association	13,930	1	,000		
N of Valid Cases	178				

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 25,70.

b. Computed only for a 2x2 table

## Chapter V: Conclusions

In the last few years, the Portuguese grocery retail market has witnessed a great PL penetration growth into the consumers' households. Nevertheless consumers' proneness to purchase PL products has steadily remained category specific.

The ultimate goal of this research was to understand consumers' behaviour towards PLs, the limitations posed to the growth of these products market share on categories with higher levels of product involvement and if companies can overcome consumers' psychological barriers that make them reluctant to purchase PLs in every category.

In order to structure and guide the information gathering, at the beginning of this research, 4 main questions were posed:

What are the product categories where PLs cannot penetrate?

Are retailers able to build brands with no associations linked to them?

What is the consumer response to the retailer non-insignia branded products?

What should be the pricing strategy used on non-insignia branded products?

It is, at this point, possible to address and provide answers to the research questions.

### 5.1. Main Conclusions

The first key research question was postulated in an effort to find out in which **product categories consumers were more hesitant to purchase PL products**, hence the product categories that PLs had more trouble to penetrate and if there were among these categories similar traits.

The market research analysis provided some insights on the product categories where consumers choose to purchase NBs over PLs products. Consumers showed to be more reluctant to purchase products from categories where they were the buyer but not the final user, namely infant food, baby products and pet food. Apparently, consumers do not trust on PL products' quality enough to buy PL products for "their most beloved ones".

These findings are in line with the academic literature that points out the fact that PL purchase behaviour is category specific (Ailawaldi & Keller, 2004), which limits PL penetration levels. Indeed, for the Portuguese consumer, product categories with some emotional strength attached and where there is not enough trust in the PL product seemed to be the ones scoring lower on consumers' willingness to buy.

Secondly the question on whether it would be **possible to build brands that are totally dissociated from the retailers** was posed. Again, the market research analysis was key to answer this question. Sonae MC was able to design and develop 6 non-insignia brands that carry no immediate association with Continente's brand.

In fact, when consumers were asked if they associated any of these 6 brands exclusively to Continente's stores, none of the brands was able to generate a solid agreement among the respondents, therefore enabling one to assume that Sonae MC has indeed succeeded in creating a line of own brands that consumers do not directly associate with the retailer Continente.

However it is important to mention that these brands comparing to the three-tiered Continente PL brands have scored considerably below on brand awareness, hence limiting the above described findings.

Additionally, generalizations on whether retailers are able to create PL brands dissociated from their insignia, based only on one retailer are dangerous. However one can infer that if Sonae MC was able to accomplish this goal so will other retailers.

Afterwards, it was interesting to study the **consumer's response to retailer's non-insignia branded products** and see if the consumer behaviour towards the product categories changed when Sonae MC transferred these products from the Continente's PL brand extensions to the non-insignia brands.

According to the analysis of the conducted market research it was possible to uncover awareness levels, purchase intentions and brand perceptions regarding the non-insignia brands.

As previously stated, Sonae MC non-insignia brands did not present high levels of awareness among the respondents, only with 3 out of the 6 brands being recognized by more than 50% of the participants. Similarly, these brands' purchase intentions were quite low, with only 2 brands being able to generate willingness to buy among more than 40% of the consumers.

However, according to Sonae MC, in fact consumer behaviour towards the majority of these product categories has changed. The company reported a sales increase of roughly 15% on average, in the personal care, wines, office supplies, luggage and travel accessories, home essentials and premium chocolate product categories, indicating a significant improvement of the market share with the PL products branded under non-insignia brands.

Nevertheless, the increase was reported as an average and thorough analysis of the conducted market research might lead to the assumption that the increase of sales is highly dependent on the product category and therefore large discrepancies across categories can be expected.

Moreover, study the **pricing strategy adopted for the non-insignia products** seemed quite relevant, as these products' characteristics were in fact the same or at least very close to the previously existent PL products and its only distinctive feature was the visual appeal, mainly the brand and the packaging.

It is important to mention that consumers were to perceive these brands as NBs they can only find at Continente stores instead of PL products, therefore its price should be aligned with NBs and not with PLs. However these are completely new brands in the market without any brand awareness nor any brand equity that are competing with well known and established NBs.

Although dependent upon each product category and each product characteristics, Sonae MC decided to price these brands' products between the discount price of the "follower" NB and a 30% price gap from the leader NB.

Once more the answer to the research question is only based on the strategy pursued by Sonae MC and generalizations of its success for other retailers might represent an oversimplification of the non-insignia brands' pricing strategy that is quite dependent upon each retailer overall business performance.

## 5.2. Recommendations

Whether retailers should extend the non-insignia branding strategy to every product category that PLs cannot penetrate is a question whose answer was not possible to attain throughout the developed research. However, there seems to exist enough evidence on both academic literature and market research findings to support the statement that retailers should carry a balanced product portfolio between PLs and NBs.

Retailers must not loose focus of its primordial goal of being profitable and acknowledge the fact that they cannot and should not be carrying a PL brand, either branded under the retailer's insignia brand or not, in every single product category they carry. A balance is needed so that customers' needs and expectations can be successfully met.

It is important for retailers, namely for Sonae MC, to take a step back and understand that PLs can only go so far. Academic literature has pointed out that consumers' willingness to buy PL products is category specific, hence existing a ceiling to PL products' use (Ailawaldi et al. 2008). Furthermore, Ngobo (2011) findings enabled the author to conclude that both small and big PL buyers tend to reduce more their in-store expenditure when the share of the own-name PL increases than when the share of the other-name PL increases.

Thus, the creation of a non-insignia brand might mitigate the reluctance of the consumer to buy the retailers' products in some categories but extending this concept throughout the multitude of product categories where PLs cannot penetrate is most likely a mistake.

There will always be products for which consumers' will hardly renounce the innovative, well-known and trustworthy NBs. Otherwise, at an extreme, we would face a future where retailers would become the new producers, flooding the market with PL products both insignia and non-insignia branded, where consumers' needs and expectations would not be addressed and they would feel their choices highly constrained.

Through the analysis of Sonae MC's non-insignia PL products in-store placement, evidence was found that some of these products were perhaps not having the impact on sales that was expected and because in-store shelf space is a scarce resource, products ended-up thrown at the bottom shelves. The company should address this major issue as these brands were created due to the PLs inability to acquire market share in those specific product categories and placing them at the bottom shelf, as they are products with low brand awareness, will forever "trap" them there.

For instance, Contemporaneous wines should not be placed at the bottom shelf where currently one is most likely to find them. These products placement should be reconsidered and instead of being at a bottom shelf facing, they should be placed a little below the eye-level where usually consumers can find the “good deals”, the good value for money wines.

To create a new brand and then misplace it is the same as creating an inefficiency and Sonae MC, should perhaps reassess if it is profitable to carry the already existing non-insignia brands before expanding the concept further across other product categories where consumers are more reluctant to purchase PLs.

## 5.2. Limitations and Future Research

Given the fact that the Portuguese grocery retail market is a very dynamic one, characterized by fierce competition and that the research was focused on a PL branding strategy that Sonae MC was the first Portuguese retailer to adopt, gathering relevant information was a challenge. Some of the information was collected through informal interviews and answers based on common knowledge and experience of managers from the company, limiting somehow the study as few information was backed by quantified company's figures.

One of the main goals of the research was to understand consumers' behaviour towards PLs, namely the non-insignia branded ones. In order to do that it was necessary to conduct a market research. Throughout its analysis it became clear that participants' low levels of non-insignia brands awareness shaped some of the their answers. Additionally, to better meet the target respondents, roughly 20% of the questionnaires were conducted face to face, increasing the answers social desirability bias. Other source of error encompassed by the questionnaires might lie in its design itself, namely in the subjective choice of products subject of comparison.

Moreover, some answers to the key research questions were solely based on the strategy pursued by Sonae MC in regard to the non-insignia brands. In order to generalize this findings, research on this matter should be extended to other retailers.

Future research can also focus on the viability of Sonae MC's huge PL product portfolio, both Continente's insignia and non-insignia branded, as throughout the present research some questions arose on whether the company should carry such a large own product portfolio across and within all the categories it currently does.

Despite the limitations of the present study, this thesis sets a new approach to the study of PLs in the Portuguese grocery retail market. By providing a review of the yet scarce academic literature on non-insignia PL brands and illustrating the matter with a real case study, this thesis postulates a starting point for all those who pursue the study of this up-to-date topic.

## Chapter VI: Teaching Notes

In an attempt to support the case discussion, there are here proposed teaching notes that work as conducting elements for in-class discussion, by identifying the most relevant issues to be addressed.

### 6.1. Synopsis

The present case study main goal is to understand consumers' behaviour towards PLs and the limitations posed to the growth of these products market share on categories with higher levels of product involvement, taking a close look into Sonae MC's strategy to overcome consumers' reluctance to purchase PLs in every product category.

In the last few years, the economic downturn has substantially diminished consumers' purchasing power. The Portuguese grocery retail market has witnessed a great PL penetration growth into the consumers' households as consumers found themselves in need to adopt a more "value-conscious mindset".

Portuguese retailers saw an opportunity and took it, and nowadays all the main market players present a fair PL product assortment. Sonae MC is no exception and in fact has been one of the main PL market drivers. The company has grown throughout the years a huge and powerful PL product portfolio that encompasses both a segmented three-tiered PL and a group of specialized PLs targeting very specific consumer segments.

Around 2003, Sonae MC noticed that consumer behaviour towards some product categories was steadily unchanged even with consumers' familiarity with the retailer's large PL product portfolio. The company's PL managers knew they had to tackle this issue and Continente's non-insignia brands were born in an effort to persuade consumers to purchase retailer's own brands in categories with higher levels of associated purchase risk.

These brands, in contrast with the remaining Continente PLs were designed and developed to be identified by consumers as new brands in the market that carry no immediate association with Continente's brand.

The case describes the non-insignia strategy adopted by Sonae MC in terms of the 4 P's: product, price, place and promotion and provides an overview of the results of this innovative PL approach in the Portuguese market.

### 6.2. The Target Audience and Teaching Objectives

***Private Labels: Exploring Non-insignia Brands - Sonae MC Case Study*** might be useful as a support teaching tool for Marketing, Brand Management and Retailing courses, either at an undergraduate or master level.

The in-class analysis of the case will enable students to study a current topic with a newly fresh focus, the private label non-insignia branding strategy. It is a quite interesting topic as students can relate to it as they are most likely, if not purchasers at least consumers of PLs.

While debating the case study in class, students will have the opportunity to:

- ✓ Learn about the Portuguese grocery retail market evolution, main characteristics and trends;
- ✓ Understand and pinpoint the major behavioural changes of the Portuguese consumer;
- ✓ Get acquainted with the importance of segmenting the market, namely through a real case of a tiered private label line;
- ✓ Understand the challenges posed to Sonae MC in establishing a pricing strategy;
- ✓ Get acquainted with Sonae MC's use of the marketing-mix business tools variables - product, price, place and promotion - in its private labels;
- ✓ Learn about the challenges posed to the growth of private labels' market share and how Sonae MC faced that.

### 6.3. Relevant Theory

Together with the information available in the literature review, case study and market research findings, in order for students to get the most out of this learning experience, they should be provided with the following articles to take into consideration and prepare prior to the in-class discussion:

- ✓ Amrouche, N., Rhouma, T. Ben & Zaccour, G., 2014. Branding Decisions for Retailers' Private Labels. *Journal of Marketing Channels*, 21(2), pp.100–115.
- ✓ Ngobo, P.-V., 2011. Private label share, branding strategy and store loyalty. *Journal of Retailing and Consumer Services*, 18(4), pp.259–270.

### 6.4. In Class Discussion

The following questions address some of the most relevant issues raised throughout the case and work as a suggested guideline for in-class debate.

In order to generate a deeper in-class discussion, students should be given the materials prior to the discussion so that they can prepare a succinct summary of the most relevant takeaways of the literature and case study.

**1) Bearing in mind the evolution of the Portuguese grocery retail industry, describe the main consumer behavioural changes.**

In order to completely answer this question, students will have to mention the emergence of the hypermarkets, the recent economic downturn and the scarcity of good quality-time, as the main drivers of changes in the Portuguese consumers' behaviour.

Consumer perceptions, needs, desires and expectations are constantly evolving and regarding the evolution of the Portuguese consumers' grocery shopping habits, two major changes can be pinpointed.

The emergence of hypermarkets, in 1985, was a corner stone on the Portuguese grocery retail market development. Due to its stores dimension, hypermarkets enabled retailers to carry large product assortments across and within categories. The new concept inflicted in the Portuguese consumer a huge

change as customers started to value having a large place where they could park their cars and take their families to buy the entire household monthly supplies.

However, recently the typical Portuguese consumer has shifted its behaviour from one or two monthly visits to a hypermarket where he would fill in the shopping-cart with supplies for two to four weeks, to more frequent, weekly visits to the nearest supermarkets. On the roots of this behavioural change is the economic downturn that diminished consumers' purchasing power, leaving them with tighter budgets and less disposable income to spend in large-value shopping baskets, favouring more frequent small-value store visits. Moreover, the scarcity of good quality-time, that makes a time consuming visit to the hypermarket costly in terms of consumption of one's personal time, also played an important role on the shift of the consumer's behaviour.

Additionally, students can address to the fact that with the economic recession, consumers found themselves forced to alter their consumption patterns and adopt a more "value-conscious mindset" and that in Portugal, as one of the most hard-hit economies, consumers saw in private labels (PLs) a good alternative to national brands (NBs), one that would help ease their expenses. In only 6 years, PLs had a huge penetration growth into the Portuguese households, presenting an increase of its value share of almost 50%.

## **2) Comment on the challenges posed to Sonae MC's pricing strategies.**

Due to the fact that Sonae MC is a price-taker in the grocery retail market, being Jerónimo Martins the one that sets the market prices, Sonae MC has little control over the pricing of some products.

Major problems arise for Sonae MC when it comes to pricing its three-tiered PL line, namely the brands the budget brand **é Continente** and the copycat brand **Continente**.

Sonae MC aligns its PL **Continente** brand price with **Pingo Doce**'s PL brand, however Sonae MC has more than one tier and changes on the price of **Continente** brand will necessarily impact the price of **é Continente** brand. Hence, if Pingo Doce alters the price of its PL, Sonae MC will change its **Continente** PL too, altering the pre-defined price gap between **Continente** and **é Continente**.

Ideally there is a 10% price gap between these two brands, however if Jerónimo Martins decides to lower the price of a specific PL product by 10%, Sonae MC will follow and adjust **Continente** PL price by those exact 10%, leaving both **Continente** and **é Continente** brands at the same price. Additionally, as a budget PL, **é Continente** price has not much room for changes and that is why one sometimes actually sees products from these two brands at the same price, disrupting the whole segmented PL line strategy.

In order to restore the tiered PL line, Sonae MC decreases **é Continente** product's price by discount offers to show customers that it is a special bargain, that will not be replicated any time soon, instead of a constant price cut. However, price discounts erode credibility to the full price, especially in product categories that lack off emotional associations, making the difference between the retail price and the discount price unjustifiable at consumers' eyes.



Sonae MC has a tricky situation, being a price-taker undermines its tiered PL strategy when it comes to pricing the budget and copycat brands.

**3) Explain the main challenge posed to the growth of private labels' market share.**

In the last few years, the Portuguese grocery retail market has witnessed a great PL penetration growth into the consumers' households. Nevertheless consumers' proneness to purchase PL products has steadily remained category specific.

Even though customer response to PL products is quite positive in the majority of utilitarian product categories, retailers face some trouble selling products from categories with a higher level of product involvement. In these categories, there are still some psychological barriers left to overcome.

The typical consumer nature is of a risk averse individual and therefore in product categories where the associated purchase risk is higher it is understandable that consumers choose to purchase NB products over PL ones. Academic literature points out that this perceived risk is indeed category specific and consequently so is the proneness to purchase PL products (Ailawaldi & Keller, 2004), limiting PL penetration levels.

According to Sonae MC, the product categories that the Portuguese consumer is more reluctant to acquire PLs are the ones with (1) high NB loyalty levels, (2) lack of trust in the PL quality or (3) social stigma associated with the PL purchase.

**4) State the reasons in favour and against the non-insignia branding strategy developed by Sonae MC.**

**Note:** In order to better address this discussion, the class should be divided into groups of 3 to 4 students. Half of the groups will work on the reasons in favour and the other half will work on the reasons against pursuing a non-insignia branding strategy.

**Reasons in favour of pursuing a non-insignia branding strategy**

As mentioned in the answer to **question 3**, consumers' willingness to buy PL products is category specific, hence existing a ceiling to PL products' consumption.

The creation of a non-insignia brand will most likely mitigate the reluctance of the consumer to buy the retailers' products in some categories, as these brands are designed and developed to be identified by consumers as new brands in the market that carry no immediate association with the retailers PL brand.

Ngobo (2011) findings enabled the author to conclude that both small and big PL buyers tend to reduce more their in-store expenditure when the share of the own-name PL increases than when the share of the other-name PL increases. Hence, if retailers decide to extend their PL lines throughout a multitude of product categories it is better if they carry multiple PL names instead of just PLs branded under the retailers' name. The underlying reason for that is the fact that when customers perceive a clear

PL dominant presence on the shelves they might feel that the store assortment is incomplete and that their choices are being constrained.

In order to deepen the discussion and favour the argument that retailers should pursue a non-insignia branding strategy, students may draw the parallelism between insignia and non-insignia PLs and assume the reasons to carry PLs as a whole as arguments that favour of adding non-insignia PLs to the retailers' PL product portfolio.

It is possible to pinpoint three main reasons for retailers to carry PLs: (1) the negotiation leverage PL products can convey to the retailer, (2) the higher retail margins provided by PL products to the retailer, and (3) the possibility to stimulate customer loyalty to the retailer. The literature review provided with the case study explains in detail each of these three main reasons.

### **Reasons against pursuing a non-insignia branding strategy**

Even though the creation of a non-insignia brand might mitigate the reluctance of the consumer to buy the retailers' products in some categories, extending the concept throughout the multitude of product categories where PLs cannot penetrate is most likely a mistake.

There will always be products for which consumers' will hardly renounce the innovative, well-known and trustworthy NBs. Otherwise, at an extreme, we would face a future where retailers would become the new producers, flooding the market with PL products both insignia and non-insignia branded, where consumers' needs and expectations would not be addressed and they would feel their choices highly constrained.

There is enough evidence on both academic literature and market research findings to support the statement that retailers should carry a balanced product portfolio between PLs and NBs.

Retailers must not loose focus of its primordial goal of being profitable and acknowledge the fact that they cannot and should not be carrying a PL brand, either branded under the retailer's insignia brand or not, in every single product category they carry. A balance is needed so that customers' needs and expectations can be successfully met. It is important for retailers, namely for Sonae MC, to take a step back and understand that PLs can only go so far.

If the students opt to deepen the discussion and draw the parallelism between insignia and non-insignia PLs they can assume the limitations of carry PLs as a whole and use them as arguments against adding non-insignia PLs to the retailers' PL product portfolio.

As it is possible to pinpoint three main reasons for retailers to carry PLs, it is also possible to elaborate on the limitations of each of the motivations. Again, the literature review provided with the case study explains in detail each of the limitations posed to the reasons of carrying PLs.

## 6.4. Additional Areas of in-class Discussion

Additionally, in-class discussion could cover the following topics:

- ✓ Description of the Retailer-National Brands power shift and its implications in the grocery retail market.
- ✓ "Good vs Available Private Labels": In-class discussion on whether retailers should focus on innovative and top-quality PLs or PLs present in each and every product category that the retailer carries.

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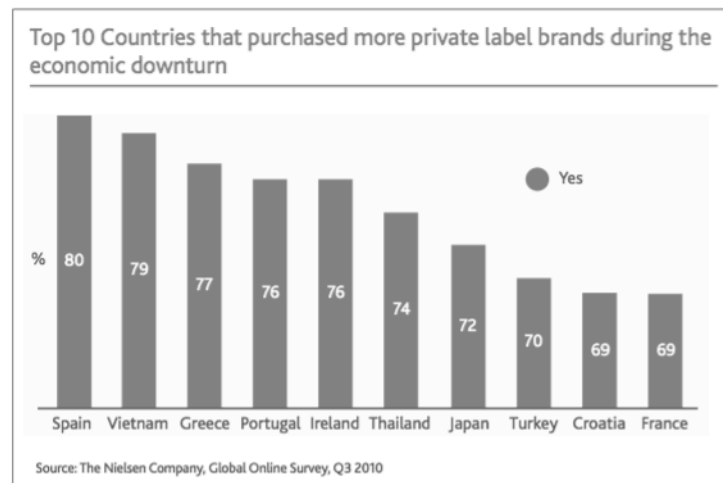
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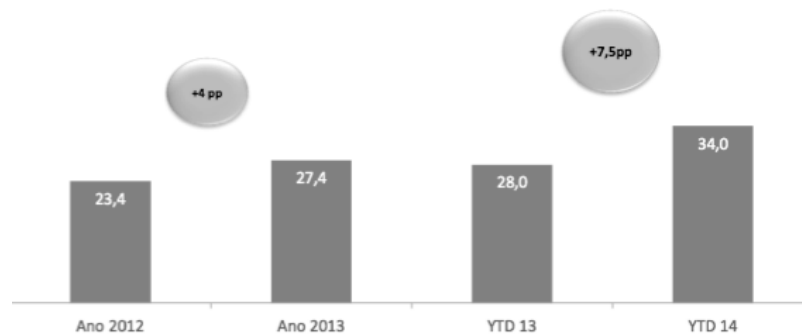
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## Appendixes

**Exhibit 1** – Top 10 countries that purchased more PLs during the economic downturn



**Exhibit 2** – Percentage of the discount value sales vs total value sales | Source: Nielsen MarketTrack (H+S excluding Lidl) – YTD June 2014



**Exhibit 3** – SONAE SGPS: Company Overview

Founded in Portugal, in 1959, Sonae - Sociedade Nacional de Estratificados, was a small family-owned company that had as main business the production of decorative laminates. Today, Sonae SGPS is a large corporation that manages a portfolio of different business, divided into 4 main areas.

### Core business

This is where the company's main focus lies, the retail segment, which comprises food retail and specialized retail, under Sonae MC and Sonae SR respectively. The first, with 548 stores and a turnover of €M3,415 in 2013 is the Portuguese food retail market leader and will be further analysed in the next section. The second started off in 1995 as an expansion of Sonae's core business and currently operates consumer electronics, clothing and sports business. Sonae SR accounted with 579 stores by the end of 2013 present in 17 countries around the globe

### **Core partnerships**

Composed by two very distinct groups, Sonae Sierra and Sonaecom. The first is an international shopping centres specialist. Founded in 1989, is a 50:50 joint-venture partnership between Sonae and Grosvenor, a British company. It aims at designing, developing and managing shopping centres and currently is the manager and co-owner of 47 shopping centres among 14 countries. Sonaecom is a sub-holding of group Sonae for the software and information systems, media and telecommunications. Its primarily business is the telecommunications one where it holds a significant equity stake of NOS company.

### **Related business**

Sonae RP is an independent business unit in charge of managing, developing and enhancing retail real estate assets in order to support Sonae's growth objectives. Its main revenue source comes from rents of Sonae's retail business. This enables Sonae MC and Sonae SR to solely focus on their core business.

### **Investment management**

This business unit is responsible for actively supporting the plan and execution of Sonae's core business mergers and acquisitions'.

Sonae's current structure is a result of a number of corporate reorganizations and new business ventures. The decision to include all the sub-holdings of Sonae under the umbrella brand Sonae was based on the desire to have a homogeneous and easily recognizable image of Sonae as a whole.

Despite Sonae's internationalization efforts over the years, its business is still highly dependent on the Portuguese market.

In regard to its financial strategies, Sonae is pursuing a capital-light policy by decreasing the ownership rate of the assets it currently operates. Sonae has also been focusing on improving its capital structure through short-term financial debt reduction. In 2013, the company presented the results of this strategy by recording a net total leverage of 39% of the invested capital, representing a 13,2pp decrease relative to the previous year.





**Exhibit 6** – Product examples of PL **Continente** rebranding

**A** – Potato chips bags. On the right side is the rebranded product.



**B** – Table wine. On the right side is the rebranded product.



**Exhibit 7** – Advertising of the entire PL product assortment as a whole: *“I pick Continente’s products with my eyes closed”*



Exhibit 8 – Continente Magazine from March 2013



Exhibit 9 – Continente Magazine' highlights of the recently launched and rebranded products. Page from the September 2014 magazine

**Hambúrgueres Fácil&Bom**  
SABORES DA AMÉRICA

New York, com molho de mostarda e tomate, Kentucky, com frango panado, e Texas, com molho barbecue, são as três variedades de hambúrgueres da gama Fácil&Bom que refletem os sabores dos EUA. São os únicos no mercado com um molho que se derrete quando aquecido no micro-ondas, envolvendo dessa forma o hambúrguer. Não perca estas delícias.

**logurte grego**  
NOVA GAMA BICAMADA DE MARACUJÁ E MORANGO

Os iogurtes gregos bicamada Continente surgem agora com um novo formato, uma nova embalagem e uma nova receita. Delicie-se com a sua cremosidade aliada ao sabor fresco e doce de frutos como o morango e o maracujá.

**Gelados**  
PARA A FAMÍLIA

Os sabores mantêm-se, mas surgem agora em novas embalagens. Com a sua gama diversificada, os gelados Continente são uma sobremesa que proporciona a partilha de momentos verdadeiramente deliciosos em família. Banana Split, Chocolate com Pedacinhos de Chocolate, Nata com Molho e Pedacinhos de Morango e Caramelo são alguns dos sabores a descobrir.

**Pão com chouriço**  
DE PORCO PRETO

Selecionámos a nossa melhor massa de pão rústico, tradicional e com levedação prolongada, e ao longo de todo o seu interior colocámos várias camadas generosas de chouriço de porco preto de excelente qualidade. O resultado é uma combinação perfeita de sabores num pão com chouriço que vai querer provar e repetir. Quentinho será sempre uma delícia!

**Carne maturada**  
TENRA E SUCULENTA

A carne maturada Seleção Continente chega às nossas lojas para os verdadeiros apreciadores de carne, que exigem qualidade e paladar ímpares. Com 14 dias de maturação mínima, a carne maturada Seleção Continente tem um sabor, textura e tenrura inconfundíveis. Prove e comprove por si mesmo!

**Molhos**  
QUE APETECEM

Inove nas suas refeições e dê mais sabor às batatas fritas e hambúrgueres com os molhos Continente. Chips molho para batatas fritas e Molho para hambúrgueres são acompanhamentos que enriquecem os seus pratos. Vai adorar!

**SAIBA MAIS EM:**

[www.facebook.com/continente](http://www.facebook.com/continente)
[www.instagram.com/continente](http://www.instagram.com/continente)
[www.youtube.com/continente](http://www.youtube.com/continente)



**Exhibit 10** – Example of the placement of **My Label**, one of the non-insignia brands. Placed on the right of the market leader, Pantene.



## Exhibit 11 – Survey

### Section 1 - Purchase frequency and store choice

É o responsável pelas compras de mercearia em sua casa?

- ☐ Sim
- ☐ Não

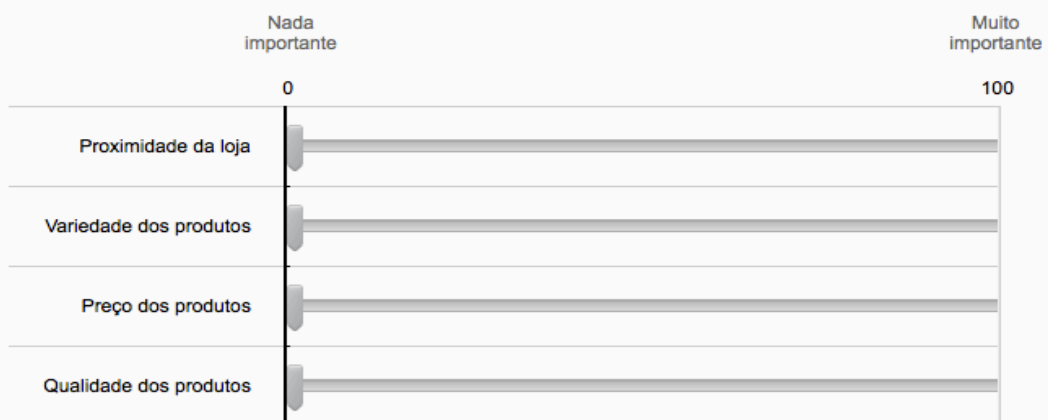
Aproximadamente, com que regularidade faz compras de mercearia?

- ☐ Diariamente
- ☐ Semanalmente
- ☐ Quinzenalmente
- ☐ Mensalmente

Considere as superfícies comerciais abaixo listadas. Indique as duas que mais frequenta.

- |                                      |                                     |
|--------------------------------------|-------------------------------------|
| <input type="checkbox"/> Continente  | <input type="checkbox"/> Minipreço  |
| <input type="checkbox"/> Intermarché | <input type="checkbox"/> Pingo Doce |
| <input type="checkbox"/> Jumbo       | <input type="checkbox"/> Outro      |
| <input type="checkbox"/> Lidl        |                                     |

Considere os factores abaixo. Classifique quanto ao nível de importância.

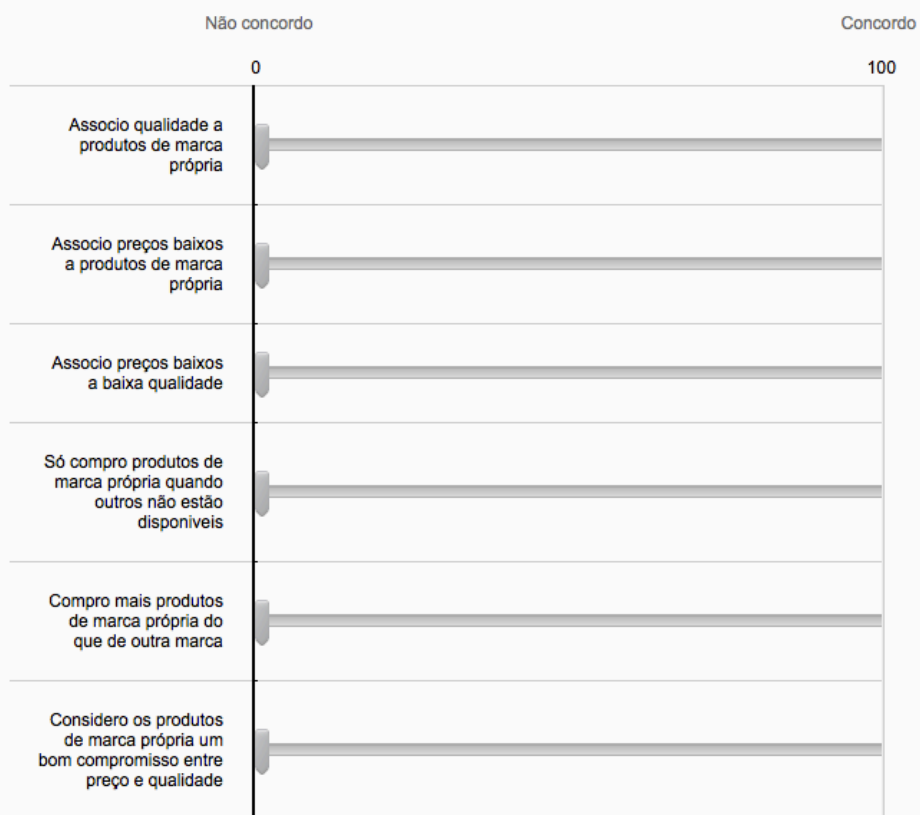


## Section 2 - Consumers' habits and associations with PLs in general & Awareness levels of Continente's PL 3-tiered line




Costuma comprar produtos de marca própria/ marca do retalhista/ marca branca?

- ☐ Sim
- ☐ Não

Considere as seguintes afirmações. Classifique quanto ao seu nível de concordância com as mesmas.



Conhece os produtos das marcas Continente? Assinale as marcas que lhe são familiares e aquelas que compra.


	Conheço	Compro
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>

Das categorias de produtos que se seguem, indique aquelas para as quais compraria produtos de marca própria.

- |  |  |
|--|--|
| <input type="checkbox"/> Merceria alimentar                | <input type="checkbox"/> Produtos de higiene             |
| <input type="checkbox"/> Lacticínios                       | <input type="checkbox"/> Produtos de limpeza             |
| <input type="checkbox"/> Bebidas                           | <input type="checkbox"/> Produtos de bebé                |
| <input type="checkbox"/> Congelados                        | <input type="checkbox"/> Acessórios para a casa          |
| <input type="checkbox"/> Alimentação infantil              | <input type="checkbox"/> Acessórios para o carro         |
| <input type="checkbox"/> Alimentação de animais domésticos | <input type="checkbox"/> Material de escritório/ escolar |

### Section 3 - Consumers' familiarity and perceptions towards Continente's non-insignia brands


Conhece os produtos das seguintes marcas? Indique as que lhe são familiares e aquelas que compra. Abaixo encontra exemplos de produtos das marcas referidas.

	Conheço	Compro
<b>MYLABEL</b> BEAUTY	<input type="checkbox"/>	<input type="checkbox"/>
<b>note</b> 	<input type="checkbox"/>	<input type="checkbox"/>
<b>CONTEMPORAL</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>KASA</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>packIt</b>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BEM ME QUER</b>	<input type="checkbox"/>	<input type="checkbox"/>

Exemplos de produtos:









Assinale as características que associa aos produtos de cada uma das marcas que conhece.

	<b>MYLABEL</b> BEAUTY	<b>note</b> 	<b>CONTEMPORAL</b>	<b>KASA</b>	<b>packIt</b>	<b>BEM ME QUER</b>
Produtos com qualidade	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preço baixo	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preço elevado	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Boa relação qualidade-preço	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Produtos exclusivos Continente	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Produtos inovadores	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Das marcas abaixo listadas, indique aquelas que associa exclusivamente aos supermercados continente.



	Associo <b>exclusivamente</b> aos supermercados Continente
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

#### Section 4 - Product Comparison

Considere os 3 produtos. Assumindo que todos são idênticos e apresentam o mesmo preço, indique o produto que compraria.



Considere os dois produtos que se seguem. Indique o produto que mais se identifica com a afirmação.

	<b>A</b>		<b>B</b>	
Produto com maior qualidade		<input type="radio"/>		<input type="radio"/>
Produto que compraria		<input type="radio"/>		<input type="radio"/>

Assuma agora que o valor do produto A é €1, qual o valor que estaria disposto a pagar pelo produto B?

- ☐ Menos €0,5
 ☐ Menos €0,25
 ☐ O mesmo valor
 ☐ Mais €0,25
 ☐ Mais €0,5

Considere os dois produtos que se seguem. Indique o produto que mais se identifica com a afirmação.

	<b>A</b>		<b>B</b>	
Produto com maior qualidade		<input type="radio"/>		<input type="radio"/>
Produto que compraria		<input type="radio"/>		<input type="radio"/>

Assuma agora que o valor do produto A é €5, qual o valor que estaria disposto a pagar pelo produto B?

- ☐ Menos €2,5
 ☐ Menos €1
 ☐ O mesmo valor
 ☐ Mais €1
 ☐ Mais €2,5


Considere os dois produtos que se seguem (copos de café). Indique o produto que mais se identifica com a afirmação.

	A	B
		
Produto com maior qualidade	<input type="radio"/>	<input type="radio"/>
Produto que compraria	<input type="radio"/>	<input type="radio"/>

Assuma agora que o valor do produto A é €0,5, qual o valor que estaria disposto a pagar pelo produto B?

- ☐ Menos €0,25
 ☐ Menos €0,1
 ☐ O mesmo valor
 ☐ Mais €0,1
 ☐ Mais €0,25

Considere os dois produtos que se seguem. Indique o produto que mais se identifica com a afirmação.

	A	B
		
Produto com maior qualidade	<input type="radio"/>	<input type="radio"/>
Produto que compraria	<input type="radio"/>	<input type="radio"/>

Assuma agora que o valor do produto A é €4, qual o valor que estaria disposto a pagar pelo produto B?

- ☐ Menos €2
 ☐ Menos €1
 ☐ O mesmo valor
 ☐ Mais €1
 ☐ Mais €2

## Section 5 - Demographics

<b>Idade</b>  <input type="radio"/> 18 - 24 anos <input type="radio"/> 25 - 34 anos <input type="radio"/> 35 - 49 anos <input type="radio"/> 50 - 64 anos <input type="radio"/> Mais de 65 anos	<b>Sexo</b>  <input type="radio"/> Masculino <input type="radio"/> Feminino	<b>Rendimento anual do agregado familiar</b>  <input type="radio"/> Até €12.000 <input type="radio"/> €12.000 - €25.000 <input type="radio"/> €25000 - €50.000 <input type="radio"/> Superior a €50.000
---	--	--

## Exhibit 12 – Findings Tables (SPSS)

## A – Sample's Demographics

Table 1 - Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 24 years old	18	10,1	10,1	10,1
	25 - 34 years old	24	13,5	13,5	23,6
	35 - 49 years old	69	38,8	38,8	62,4
	50 - 64 years old	63	35,4	35,4	97,8
	More than 65 years old	4	2,2	2,2	100,0
	Total	178	100,0	100,0	

Table 2 - Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	61	34,3	34,3	34,3
	Female	117	65,7	65,7	100,0
	Total	178	100,0	100,0	

Table 3 – Annual Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< €12.000	21	11,8	11,8	11,8
	€12.000 - €25.000	46	25,8	25,8	37,6
	€25000 - €50.000	70	39,3	39,3	77,0
	> €50.000	41	23,0	23,0	100,0
	Total	178	100,0	100,0	

## B – Purchase frequency and store choice

**Table 1 – Responsible for grocery shopping**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	146	82,0	82,0	82,0
	No	32	18,0	18,0	100,0
	Total	178	100,0	100,0	

**Table 2 – Shopping Frequency**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Daily	18	10,1	12,3	12,3
	Weekly	103	57,9	70,5	82,9
	Every 2 weeks	17	9,6	11,6	94,5
	Monthly	8	4,5	5,5	100,0
	Total	146	82,0	100,0	
Missing	System	32	18,0		
	Total	178	100,0		

**Table3 – Store Choice**

		Continente	Intermarché	Jumbo	.-Lidl	Minipreço	Pingo Doce	Outro
N	Valid	126	12	23	32	21	120	22
	Missing	52	166	155	146	157	58	156

**Table 4 – Factors of Store Choice**

		Proximity	Products' Range	Products' Price	Products' Quality
N	Valid	178	178	178	178
	Missing	0	0	0	0
Mean		78,0674	72,9888	82,5169	87,0281
Std. Deviation		21,95156	21,02863	19,02993	16,07062
Variance		481,871	442,203	362,138	258,265

**Table 5.1 - Model Summary (Logit Regression Analysis)**

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	213,561 <sup>a</sup>	,008	,012

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.

**Table 5.2 - Variables in the Equation (Logit Regression Analysis)**

	B	S.E.	Wald	df	Sig.	Exp(B)
Q4_Fact_Prox	,009	,008	1,193	1	,275	1,009
Q4_Fact_Rang	-,001	,009	,005	1	,944	,999
Q4_Fact_Pric	-,006	,011	,339	1	,561	,994
Q4_Fact_Qual	-,001	,014	,004	1	,949	,999
Constant	,868	1,003	,749	1	,387	2,382

a. Variable(s) entered on step 1: Q4\_Fact\_Prox, Q4\_Fact\_Rang, Q4\_Fact\_Pric, Q4\_Fact\_Qual.

### **C - Consumers' habits and associations with PLs in general & Awareness levels of Continente's PL 3-tiered line**

**Table 1 - PL user**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	155	87,1	87,1	87,1
No	23	12,9	12,9	100,0
Total	178	100,0	100,0	

**Table 2- PL Product Categories**

		Diaries	Diaries	Beverage s	Frozen Food	Infants Food	Pets Food	Personal Care	Cleaning Products	Baby Products	Home Essential s	Car accessori es	Office supplies
N	Valid	127	97	63	110	34	48	86	121	30	92	60	103
	Missing	51	81	115	68	144	130	92	57	148	86	118	75

**Table 3 – Awareness & Purchase PL three-tiered**

		Awareness é	Purchase é	Awareness	Purchase	Awareness	Purchase
		<i>Continente</i>	<i>Continente</i>	<i>Continente</i>	<i>Continente</i>	<i>ContinenteG</i>	<i>ContinenteG</i>
N	Valid	138	53	148	132	116	63
	Missing	40	125	30	46	62	115

**Table 4 – Awareness & Purchase Non-insignia Brands**

		Awarene	Purchase	Awarene	Purchase	Awarene	Purchase	Awarene	Purchase	Awarene	Purchase	Awarene	Purchase
		ss <i>ML</i>	<i>ML</i>	ss <i>N</i>	<i>N</i>	ss <i>C</i>	<i>C</i>	ss <i>K</i>	<i>K</i>	ss <i>P</i>	<i>P</i>	ss <i>B</i>	<i>B</i>
N	Valid	97	40	98	72	36	12	105	75	21	6	44	14
	Missing	81	138	80	106	142	166	73	103	157	172	134	164

**Table 5 – Exclusively associated with Continente**

		ML	Note it	Contemporal	KASA	Packit	BMQ
N	Valid	73	74	18	99	5	21
	Missing	105	104	160	79	173	157

## Section 4 - Product Comparison

**Table 1 - Leading National Brand vs Continente's Private Label vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Image: Bolachas cuetara	87	48,9	48,9	48,9
	Image: Biscoitos continente	52	29,2	29,2	78,1
	Image: Bolachas bem me quer	39	21,9	21,9	100,0
	Total	178	100,0	100,0	

**Table 2.1 – Quality Leading National Brand and rebranded Continente's Private Label**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	145	81,5	81,5	81,5
	B	33	18,5	18,5	100,0
	Total	178	100,0	100,0	

**Table 2.2 – Purchase Leading National Brand and rebranded**

		Continente's Private Label			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	94	52,8	52,8	52,8
	B	84	47,2	47,2	100,0
	Total	178	100,0	100,0	

**Table 2.3 – Price Leading National Brand and rebranded Continente's Private Label**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Minus €0,5	43	24,2	24,2	24,2
	Minus €0,25	93	52,2	52,2	76,4
	Same	25	14,0	14,0	90,4
	More €0,25	6	3,4	3,4	93,8
	More €0,5	11	6,2	6,2	100,0
	Total	178	100,0	100,0	

**Table 3.1 – Quality Leading National Brand and Continente's Private Label**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	172	96,6	96,6	96,6
	B	6	3,4	3,4	100,0
	Total	178	100,0	100,0	

**Table 3.2 – Purchase Leading National Brand and Continente's Private Label**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	154	86,5	86,5	86,5
	B	24	13,5	13,5	100,0
	Total	178	100,0	100,0	



**Table 3.3 – Price Leading National Brand and Continente's Private Label**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Minus €2,5	108	60,7	60,7	60,7
	Minus €1	52	29,2	29,2	89,9
	O mesmo valor	7	3,9	3,9	93,8
	More €1	5	2,8	2,8	96,6
	More €2,5	6	3,4	3,4	100,0
	Total	178	100,0	100,0	

**Table 4.1 – Quality Continente's Private Label vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	54	30,3	30,3	30,3
	B	124	69,7	69,7	100,0
	Total	178	100,0	100,0	

**Table 4.2 – Purchase Continente's Private Label vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	112	62,9	62,9	62,9
	B	66	37,1	37,1	100,0
	Total	178	100,0	100,0	

**Table 4.3 – Price Continente's Private Label vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Minus €0,25	41	23,0	23,0	23,0
	Minus €0,1	19	10,7	10,7	33,7
	Same	74	41,6	41,6	75,3
	More €0,1	26	14,6	14,6	89,9
	More €0,25	18	10,1	10,1	100,0
	Total	178	100,0	100,0	

**Table 5.1 – Quality Leading National Brand vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	164	92,1	92,1	92,1
	B	14	7,9	7,9	100,0
	Total	178	100,0	100,0	

**Table 5.2 – Purchase Leading National Brand vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A	150	84,3	84,3	84,3
	B	28	15,7	15,7	100,0
	Total	178	100,0	100,0	

**Table 5.3 – Price Leading National Brand vs Continente's Non-insignia Brand**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Minus €2	98	55,1	55,1	55,1
	Minus €1	49	27,5	27,5	82,6
	Same	18	10,1	10,1	92,7
	More €1	5	2,8	2,8	95,5
	More €2	8	4,5	4,5	100,0
	Total	178	100,0	100,0	